

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	500.28	2.09	3.25	505.62	2.09	3.25	505.62	505.62
Personal Services	18,454,168	1,651,547	121,315	20,227,030	1,776,672	121,835	20,352,675	40,579,705
Operating Expenses	8,161,506	5,879,740	824,002	14,865,248	2,022,923	592,911	10,777,340	25,642,588
Equipment	754,526	72,132	0	826,658	67,132	0	821,658	1,648,316
Capital Outlay	847	0	0	847	0	0	847	1,694
Local Assistance	221,000	0	0	221,000	0	0	221,000	442,000
Grants	889,760	0	275,000	1,164,760	0	275,000	1,164,760	2,329,520
Benefits & Claims	1,600,977	(100,977)	0	1,500,000	(100,977)	0	1,500,000	3,000,000
Transfers	355,419	33,750	0	389,169	33,750	0	389,169	778,338
Debt Service	389,765	194,402	0	584,167	194,602	0	584,367	1,168,534
Total Costs	\$30,827,968	\$7,730,594	\$1,220,317	\$39,778,879	\$3,994,102	\$989,746	\$35,811,816	\$75,590,695
General Fund	16,529,294	1,321,810	667,569	18,518,673	1,142,736	636,960	18,308,990	36,827,663
State/Other Special	12,791,352	6,114,687	105,000	19,011,039	2,546,823	105,000	15,443,175	34,454,214
Federal Special	1,507,322	294,097	447,748	2,249,167	304,543	247,786	2,059,651	4,308,818
Total Funds	\$30,827,968	\$7,730,594	\$1,220,317	\$39,778,879	\$3,994,102	\$989,746	\$35,811,816	\$75,590,695

Agency Description

The Department of Natural Resources is tasked to: 1) manage the state trust land resource to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land; 2) protect Montana's natural resources from wildfires through regulation and partnerships with federal, state, and local agencies; 3) promote stewardship of state water, soil, forest, rangeland resources, and regulate forest practices to protect water quality; 4) provide administrative, legal and technical assistance, and financial grants to the conservation districts and provide natural resource conservation and development programs; 5) resolve water resource use conflicts, manage state water projects, investigate water use violations, ensure dam safety compliance, and provide water adjudication support to the Water Court; 6) provide administrative support to the Reserved Water Rights Compact Commission to negotiate the settlement of reserved water rights claims of Indian Tribes and federal agencies; and 7) provide administrative support to the Board of Oil and Gas Conservation to assist in conservation of oil and gas and prevention of resource waste through regulation of oil and gas exploration and production. The State Board of Land Commissioners, comprised of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State, exercise the general authority, direction, and control over the care, management, and disposition of state lands under its administration. The director is the chief administrative officer of the board.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	Present Law Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Biennium Fiscal 00-01	Total Exec. Budget Fiscal 02-03
FTE	502.37	3.25	505.62	502.37	3.25	505.62	0.00	505.62
Personal Services	20,105,715	121,315	20,227,030	20,230,840	121,835	20,352,675	38,027,073	40,579,705
Operating Expenses	14,041,246	824,002	14,865,248	10,184,429	592,911	10,777,340	16,864,658	25,642,588
Equipment	826,658	0	826,658	821,658	0	821,658	1,674,945	1,648,316
Capital Outlay	847	0	847	847	0	847	9,696	1,694
Local Assistance	221,000	0	221,000	221,000	0	221,000	442,000	442,000
Grants	889,760	275,000	1,164,760	889,760	275,000	1,164,760	1,829,473	2,329,520
Benefits & Claims	1,500,000	0	1,500,000	1,500,000	0	1,500,000	3,100,977	3,000,000
Transfers	389,169	0	389,169	389,169	0	389,169	710,838	778,338
Debt Service	584,167	0	584,167	584,367	0	584,367	993,885	1,168,534
Total Costs	\$38,558,562	\$1,220,317	\$39,778,879	\$34,822,070	\$989,746	\$35,811,816	\$63,653,545	\$75,590,695
General Fund	17,851,104	667,569	18,518,673	17,672,030	636,960	18,308,990	33,541,571	36,827,663
State/Other Special	18,906,039	105,000	19,011,039	15,338,175	105,000	15,443,175	26,836,399	34,454,214
Federal Special	1,801,419	447,748	2,249,167	1,811,865	247,786	2,059,651	3,275,575	4,308,818
Total Funds	\$38,558,562	\$1,220,317	\$39,778,879	\$34,822,070	\$989,746	\$35,811,816	\$63,653,545	\$75,590,695

New Proposals

The table below summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 1 - Collaborative Clark Fork Basin Planning Proposal										
24	1.00	117,600	0	0	117,600	1.00	117,600	0	0	117,600
DP 3 - Missoula Office Re-Wiring										
21	0.00	25,750	0	0	25,750	0.00	0	0	0	0
DP 4 - Irrigation Assistance Program										
23	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
DP 5 - Water Right Permit Verification										
24	0.00	0	70,000	0	70,000	0.00	0	70,000	0	70,000
DP 6 - Regional Water System Coordinator										
23	1.00	52,054	0	0	52,054	1.00	52,054	0	0	52,054
DP 7 - Language Revolving Loan Programs										
23	0.00	0	0	0	0	0.00	0	0	0	0
DP 8 - Flood Damage Reduction										
24	0.25	0	0	169,748	169,748	0.25	0	0	169,786	169,786
DP 9 - Non-Trust State Land Inventory & Administration										
35	1.00	48,290	0	0	48,290	1.00	43,431	0	0	43,431
DP 10 - Dry Prairie Rural Water Project										
23	0.00	99,720	0	0	99,720	0.00	99,720	0	0	99,720
DP 11 - North Central MT Regional Water Authority										
23	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 12 - NRIS Core Service Support										
21	0.00	49,155	0	0	49,155	0.00	49,155	0	0	49,155
DP 13 - Eastern Plains RC&D										
23	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
DP 14 - Language Approp/HRA Bond										
35	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
DP 15 - Forest Health Monitoring Program										
35	0.00	0	0	78,000	78,000	0.00	0	0	78,000	78,000
DP 16 - Habitat Conservation Plan										
35	0.00	0	0	200,000	200,000	0.00	0	0	0	0
Total	3.25	\$667,569	\$105,000	\$447,748	\$1,220,317	3.25	\$636,960	\$105,000	\$247,786	\$989,746

Executive Budget Summary

- ?? The department is requesting present law adjustments totaling \$7.7 million in fiscal 2002 and \$4.0 million in 2003.
- ?? Over the biennium, present law adjustments seek general fund appropriations totaling \$0.6 million.
- ?? The largest request seeks funding for repairs on state owned dams.
- ?? Other major present law adjustments include additions for forest rehabilitation costs and base adjustments.
- ?? In addition to present law adjustments, the department is requesting 16 new proposals totaling \$3.1 million in fiscal 2002 and \$1.1 million in 2003.
- ?? Over the biennium, new proposals seek general fund appropriations totaling \$2.3 million, with the largest single request coming from the Conservation and Resource Development Division for the Agriculture Heritage program. This program provides funding to purchase agriculture easements on selected agriculture lands in Montana.

Supplemental Appropriation Description

DNRC Fire Cost Estimate

The legislature usually does not appropriate any general fund in the general appropriations act to suppress wildfires (other than personal services appropriated for other purposes, but spent on fire suppression). Instead, it appropriates funding through: 1) a supplemental appropriation to reimburse the department for appropriation transfers and actual and expected fire suppression costs; and/or 2) statutory appropriations of up to \$12.0 million if the Governor declares a wildfire emergency. The amount of wildfire suppression appropriations approved by the legislature has varied widely, as Table 1 shows.

The department has estimated that fire suppression efforts cost the State of Montana approximately \$55.8 million. Table 2 describes how the fire suppression cost estimate was calculated:

As Table 2 shows, the general fund will be reimbursed for certain costs that are incurred and paid by Montana. State and federal agencies assist each other in their fire-fighting efforts and then bill each other for their share of the costs. Reimbursements from federal agencies and private/corporate entities (responsible for starting a fire) are deposited in the general fund. However, since fiscal 1989, the legislature has appropriated a portion of these federal reimbursements (\$350,000 for fiscal 2001) to the department to fund additional administrative assistance when administrative personnel are doing work associated with fire suppression and to repair, maintain, and replace fire equipment. These appropriations reduce general fund deposits. Of the approximately \$4.2 million expected to be reimbursed to the state from federal agencies, it is estimated that approximately \$3.8 million of the amount will be reimbursed to the general fund.

Part 1 of the table shows total estimated costs for state-responsibility fires, including the anticipated bill from the federal government for assistance in fighting Montana fires. The department must: 1) replace \$4.1 million of fiscal 2001 general fund operating appropriations spent for wildfire suppression in fiscal 2000; 2) pay \$2.0 million to cover anticipated costs not yet processed; 3) pay an estimated \$26.5 million to federal agencies for their costs yet to be billed for fighting state fires; 4) deduct \$0.5 million for personnel costs that had been budgeted; 5) replace \$23.3 million of

Table 1
Wildfire Suppression
General Fund (in Millions)

Biennium	Supplemental Appropriations	Statutory Appropriations	Total
1983	\$ 0.80		\$ 0.80
1985	2.90		2.90
1987	3.74		3.74
1989	12.64		12.64
1991	3.00	\$ 0.05	3.05
1993	7.94	1.96	9.91
1995	15.50	8.92	24.42
1997	4.47	3.10	7.57
1999	10.55		10.55
2001*	55.18	6.20	61.38

* Includes FY 2001 Executive Request

Table 2
Natural Resources and Conservation
2001 Estimated Fire Supplemental

PART 1:			
<u>FY 2000/01 ACTUAL & ESTIMATED FIRE COSTS</u>			
Appropriation transfer (fiscal 2000 actual costs)		\$ 4,048,986	
Anticipated costs not yet processed		2,000,000	
U.S. Forest Service Bill (Estimate)		26,500,000	
DNRC Budget Costs		(500,000)	
Estimated State Protection Costs		23,342,000	
Estimated Spring Fire Costs		475,000	
PAID & ANTICIPATED OBLIGATIONS			\$55,865,986
PART 2:			
COSTS COVERED BY OTHER SOURCES			
FEMA advances already received		\$23,500,000	
Governor's emergency fund advance		5,100,000	
TOTAL COSTS COVERED BY OTHER SOURCES			<u>28,600,000</u>
DNRC fire suppression costs included in the supplemental appropriation (ESTIMATED)			\$27,265,986
SUPPLEMENTAL SUMMARY -- EXECUTIVE REQUEST			
House Bill 17		\$ 6,048,986	
House Bill 3 (Includes \$27.9 million anticipated rehabilitation costs)		<u>49,134,721</u>	
TOTAL SUPPLEMENTAL REQUEST			<u>\$55,183,707</u>
PART 3:			
NET COST TO THE STATE OF MONTANA			
Estimated Supplemental			\$27,265,986
Assistance to other agencies		\$ 4,158,817	
Remainder of FEMA reimbursements		13,972,448	
Governor's emergency fund advance		\$ (5,100,000)	
SUBTOTAL			13,031,265
NET COST TO STATE (PRELIMINARY)			<u>\$14,234,721</u>

state costs already paid in fiscal 2001; and 6) set aside an estimated \$475,000 for anticipated spring 2001 wildfire costs. These calculations bring the cost of fire suppression to approximately \$55.9 million.

Part 2 shows those portions of the cost that have been covered by non-DNRC funds such as a Federal Emergency Management Agency (FEMA) grant and the Governor's emergency fund. Because of the severity of the 2000 fire season, FEMA has agreed to pay for 100 percent of FEMA-qualified fire suppression costs. Qualified costs include costs of suppression between the time of mobilization and de-mobilization of the suppression effort. As the table shows, Montana has received \$23.5 million from FEMA. In addition to the FEMA grant, the department also utilized \$5.1 million from the Governor's emergency fund.

Part 3 shows the net cost of Montana's fire suppression and forest restoration efforts. Certain fire suppression costs have to be paid immediately but will eventually be returned to Montana. The executive will receive the remainder of a FEMA grant (\$13.9 million) and reimbursements from other states for Montana's assistance in fighting their fires (\$4.1 million). To arrive at the net cost to Montana, the Governor's emergency fund, which is also a general fund account, must also be accounted for. As part 3 shows, the 2000 fire season will ultimately cost Montana just over \$14.2 million. However, delays in processing the remainder of FEMA documents could delay receipt of this grant until fiscal 2002.

Please keep in mind that these numbers are based upon department estimates. As better information is secured closer to the legislative session, more accurate supplemental numbers will be the result.

Supplemental Appropriation - Executive Request

The executive intends to ask for supplemental appropriations in two bills - HB 17 and HB 3. HB 17 will be introduced early in the session for expedited action by the legislature and will total just over \$6.1 million. This appropriation would be a \$2.0 million general fund appropriation comprised of authority that was transferred from the Water Resources division to the Forestry Division and \$4.1 million that was transferred from Forestry Division's fiscal 2001 appropriation to pay costs of fiscal 2000 fire costs. At the time of this writing, HB 3 includes fire suppression costs estimated to be approximately \$21.2 million by DNRC staff. The executive also includes an additional \$27.9 million and states that this funding would be used for anticipated forest rehabilitation costs.

LFD COMMENT

Although HB 3 contains a request for more than \$27.0 million to pay for anticipated fire rehabilitation costs, a decision package in the Forestry Division contains a request for \$318,000 over the 2003 biennium for these same purposes.

In addition, the executive is requesting an \$18,251 general fund supplemental appropriation in HB 3 to fund termination costs in fiscal 2001.

LFD ISSUE

There existed the potential for a change in personnel in the Director's position subject to the wishes of the Governor. However, the current director has been re-appointed to the position so this appropriation would not be needed. HB 3 should be amended to reflect the director's re-appointment.

LFD ISSUE

Alternative Funding Methods

As stated, wildfire suppression costs are paid by two methods -- through the supplemental process and through an emergency statutory appropriation of up to \$12 million. There are problems associated with these methods: 1) because DNRC must pay all fire suppression costs until the legislature can meet in session and reimburse it, DNRC may be in danger of running short of its general fund operating appropriations in years with high wildfire costs (such as in the 2001 biennium); 2) to use the \$12 million statutory appropriation requires a declaration by the Governor of an emergency due to wildfires; and 3) there is no single appropriation source to budget for and record wildfire costs. Depending upon the circumstances, DNRC may use several appropriation sources to pay for fire bills as they come due. In some cases, finding appropriation authority might mean going outside the agency. For natural disasters that occur

**LFD ISSUE
(Continued)**

disasters that occur infrequently, this would probably not be a problem. However, Montana routinely has a fire season and having a single source of appropriation authority would be more efficient than searching for authority.

The current policy of funding fire suppression costs is sufficient in most years. However, the question is whether it functions efficiently. For example, the department's policy is to pay for fire costs from the Forestry Division's operating budget. Unless the Governor declares an emergency, the department must use the Forestry Division's operating budget. If that amount is insufficient, the department must look within the department to find authority to pay for suppression costs. In past years, they have been successful in finding enough authority to pay for fires. However, they may have to use a number of sources of authority that were already appropriated for other purposes. The department routinely seeks supplemental appropriations from the legislature to make their programs whole after a fire season. Using authority not dedicated to fire suppression could put a program or agency in a situation where it might not be able to carry out statutory requirements.

There are a number of alternatives that will produce the result of funding fire suppression costs while minimizing the problems associated with the current method. The legislature may want to consider the following options when examining how fire suppression costs are funded in Montana:

1) HB 2 Appropriation. The legislature could appropriate an amount for fire suppression costs through a HB 2 appropriation. Although the legislature could appropriate an amount for each year in the biennium based upon past fire season costs, a biennial appropriation would provide agency flexibility in particularly difficult fire seasons.

One method for determining a "reasonable" amount of appropriation is to use a seven-year moving average with the high and low years removed from the calculation. The following table shows a moving average using this methodology:

Using this method, the average cost is just under \$4.1 million per year. Because of the uncertain nature of fires, costs above the appropriation could be funded through the supplemental appropriation process. Like other HB 2 appropriations, the legislature could restrict spending to fire suppression costs only.

2) Portion of Emergency Fund. The legislature could amend the \$12 million biennial statutory appropriation available for emergencies to allow DNRC to use a portion specifically for fire suppression costs. For example, rather than making \$12 million available for any emergency or disaster declared by the Governor, the statute could be amended to provide an \$8

million biennial appropriation for general emergencies and a \$4 million biennial appropriation available specifically for fire suppression. If desired, and only under certain pre-determined conditions, the \$4 million could be made available without a Governor's declaration of disaster or emergency. However, restrictions could be used to limit spending on this funding. This would give DNRC some flexibility to fund difficult fire seasons. Suppression costs above the additional funding could be secured through the supplemental appropriation process.

Table 3 Department Of Natural Resources and Conservation Five Year Average Supplemental Fire Suppression Cost High and Low Years Removed -- 1994 and 1995 (In Millions)				
Fiscal Year End	Total Cost	Budgeted Cost	Supplemental Needed	7-year Rank
2000	\$4.12	(\$0.07)	\$4.05	4
1999	8.58	(0.23)	8.35	2
1998	0.72	(0.05)	0.67	6
1997	6.54	(0.31)	6.23	3
1996	<u>1.31</u>	<u>(0.15)</u>	<u>1.16</u>	5
Total	<u>\$21.27</u>	<u>(\$0.81)</u>	<u>\$ 20.46</u>	

5-Year Average Supplemental Needed	<u>\$ 4.0922</u>
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**LFD ISSUE
CONTINUED**

3) Montana Wildfire Mobilization Fund. The legislature could establish and fund a "Montana Wildfire Mobilization Fund." The legislature could develop a trust that, once fully funded, the proceeds could be used to fund fire suppression costs. Funding could be provided from a number of sources. Some examples might include: 1) charging a fire suppression fee to entities and individuals utilizing public land to derive income; 2) sharp increases in suppression charges to those who choose to build homes in wildland/urban interface areas; 3) taxes imposed on all taxpayers in Montana; 4) a percentage of total insurance premiums for all homeowners' policies written for Montana real property; or 5) any combination of these.

According to the department, there are 52,850 people paying fire protection taxes in Montana. If the legislature wanted to fund a \$10.0 million trust fund over a three-biennium period to help pay for fire suppression costs, each person would be billed \$31.54 per year. If only the 20,000 people in the urban/wildland interface were billed for the same period, their cost would be \$83.33 per year.

Resource Indemnity Trust

The Montana Constitution (Article IX, Section 2) requires the existence of the Resource Indemnity Trust (RIT) and states, "The principal of the resource indemnity trust shall forever remain inviolate in an amount of one hundred million dollars (\$100,000,000) guaranteed by the state against loss or diversion."

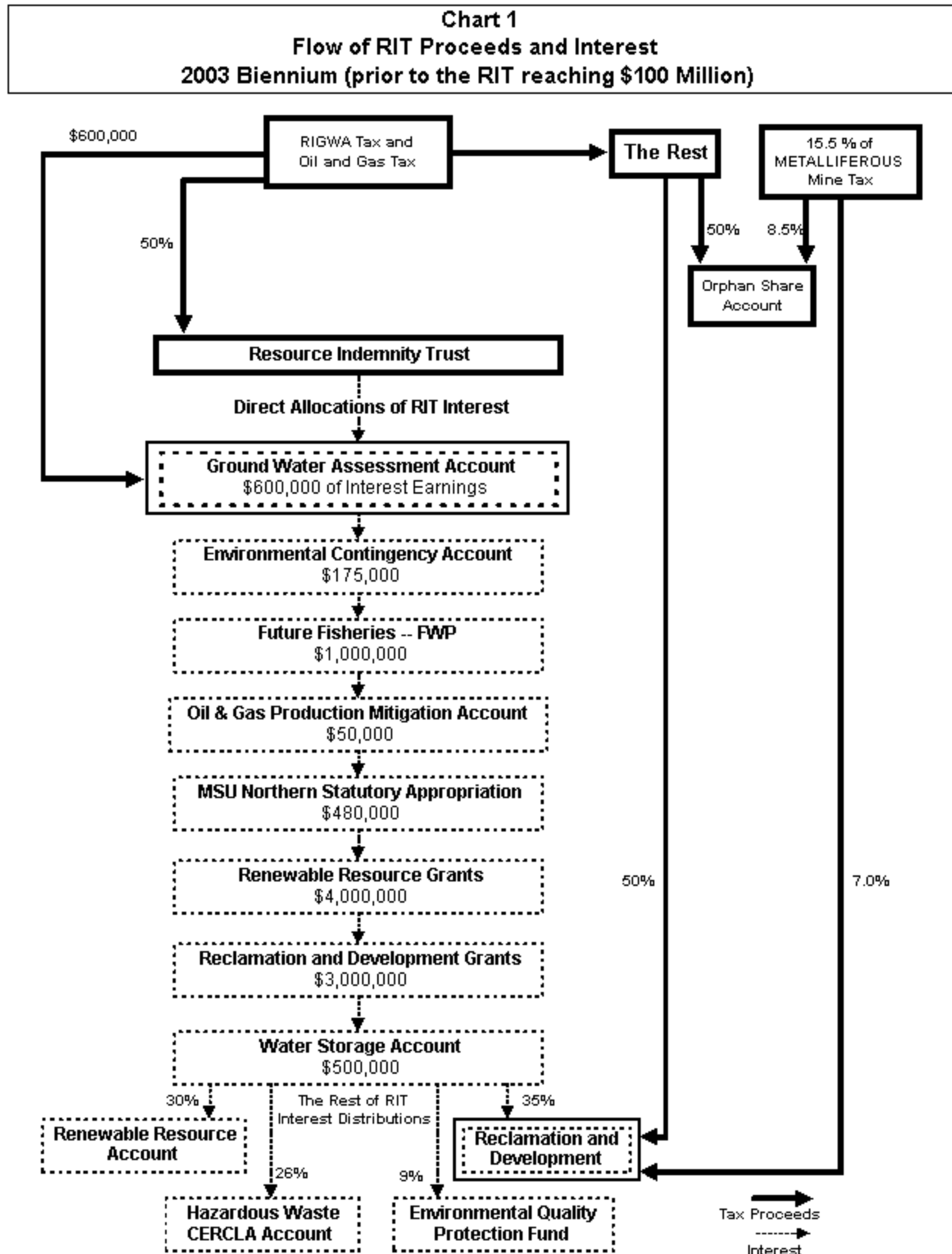
Currently, the trust receives 50 percent of the revenue (after \$600,000 each biennium is deposited to the groundwater assessment account) from the: 1) resource indemnity and ground water assessment (RIGWA) tax paid by mineral producers; and 2) portions of oil and natural gas production taxes that are allocated for distribution under RIT statutes. The remaining taxes are deposited in accounts established for various purposes. Chart 1 shows the flow of RIT proceeds and interest to expenditure accounts before the trust reaches \$100 million.

**LFD
COMMENT**

Based on the Revenue and Taxation Committee estimates, the trust should exceed the \$100 million threshold during fiscal 2002. When this occurs, the RIT will no longer receive any revenue. Instead, the money will be allocated to the groundwater assessment, reclamation and development, and orphan share accounts. These changes will become effective July 1 of the first year following the date that the Governor, by executive order, certifies to the Secretary of State that the RIT balance has reached \$100 million. Chart 1A shows the flow of the RIT after the trust reaches \$100 million.

Trust Interest

The constitution does not restrict the spending of interest from the RIT. For the 2003 biennium, statute allocates \$9.8 million of the interest for eight purposes. Table 4 shows the direct allocations of interest from the RIT and the source of appropriation authority from each account.



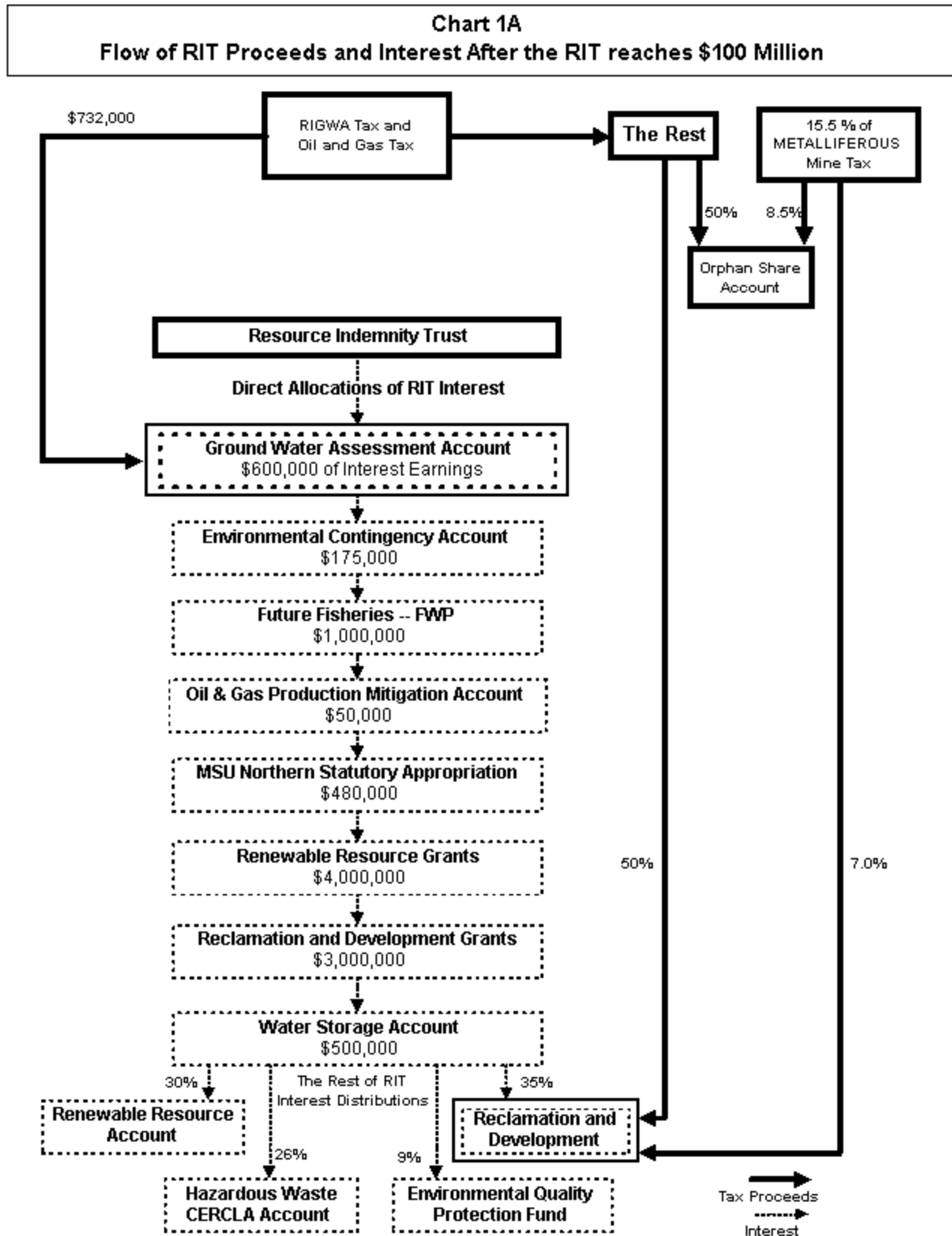


Table 4
Environmental Quality
Direct Allocation of RIT Interest

Purpose	Source of Appropriation Authority	Amount
Groundwater Assessment Account	HB 2	\$ 600,000
Environmental Contingency Account	Statutory	175,000
Future Fisheries	HB 5	1,000,000
Oil & Gas Production Mitigation Account	Statutory	50,000
MSU Northern Statutory Appropriation	Statutory	480,000
Renewable Resource Grants	HB 6	4,000,000
Reclamation and Development Grants	HB 7	3,000,000
Water Storage Account	HB 2	500,000
Total Direct Allocation of Interest From RIT		<u>\$ 9,805,000</u>

After the direct allocations are made, any interest remaining is allocated as follows:

- 1) 30 percent to the renewable resource account;
- 2) 35 percent to the reclamation and development account, which also receives portions of the RIGWA and metalliferous mines tax proceeds;
- 3) 26 percent to the hazardous waste/CERCLA account; and
- 4) 9 percent to the environmental quality protection fund.

The four accounts, along with other income, is appropriated by the legislature in HB 2 to fund operational costs of six agencies.

Table 5 shows four elements of RIT. The first and second elements show the RIT revenues and trust balance for the past four fiscal years and Revenue and Taxation Committee (RATC) projections for fiscal years 2001, 2002, and 2003. Based upon RATC estimates, the trust balance will be \$99.6 million in fiscal 2001 and will be \$101.1 million in fiscal 2002. Since the trust will not receive any further distributions after it tops \$100.0 million in 2003, the trust balance will remain at \$101.1 million. The third element shows the amount of interest generated by the RIT and the amounts that are allocated by statute for specific purposes in the 2003 biennium. As shown, allocations to accounts that receive a portion of the tax increase in fiscal 2003 when tax revenues are no longer deposited to the trust. The fourth section shows seven main accounts that receive RIT interest and other revenues. Shown for each account are calculations to determine available fund balances at the beginning of fiscal 2002, a list of revenue sources, and a list of expenditures as proposed by the executive.

LFD ISSUE

The revenue figures for fiscal 2000 are overstated. Accounting errors resulted in revenue estimates being approximately \$1.8 million too high in fiscal 2000. The Legislative Fiscal Division received a reconciliation of corrections made by the Department of Revenue to remedy the problem. Because fiscal 2000 is closed for accounting purposes, accounting rules dictate that a prior period adjustment be made in fiscal 2001. Consequently, the fiscal 2001 figure is understated to compensate for the error in fiscal 2000.

TABLE 5 may have to be inserted after the merge.

Fund Balances

Of the seven funds that derive income from the RIT, four are projected to have a negative balance at the end of the 2003 biennium. Positive fund balances are projected for the other three funds. Similar to the error correction to the trust, revenue errors in five of the funds have resulted in significant negative impacts to the ending fund balances in the 2003 biennium. These error adjustments are shown in Table 5.

LFD ISSUE The executive has proposed base, present law, and new proposal adjustments to funds that derive income from the RIT. The legislature may wish to consider not approving decision packages that use the Renewable Resource, Reclamation and Development, Hazardous Waste/CERCLA, and the Water Storage funds as funding sources.

In contrast, the Orphan Share account is projected to have a large ending fund balance (\$2.2 million). The legislature may wish to: 1) increase appropriations to this fund; and/or 2) re-allocate the distribution to the Orphan Share Account among the funds that are projected to have negative ending fund balances.

Base Adjustments

The executive has proposed "base adjustments" in nearly every division of DNRC that often group a number of disparate present law adjustments. Tables are included to show how the expenditures are allocated. For brevity, detailed descriptions of the requested adjustments were not made. However, this information will be available for legislative decision-making. More detailed information regarding justification for base expenditure adjustments is also available.

Language Appropriations

The executive is requesting \$3,090,000 as language appropriations in the Conservation and Renewable Resources and the Water Resources divisions for the 2003 biennium. Table 6 shows these amounts and their purposes. A language appropriation is language in HB 2 that appropriates money on a contingent basis, usually when the revenue becomes available, and which must contain a maximum amount. It does not become a valid appropriation until the conditions expressed in the language are met. A language appropriation is a mean used by the legislature in instances when revenues cannot be accurately estimated and where an immediate expenditure of the money is directed by statute. Because a language appropriation is only the potential of an appropriation, no appropriations are included directly in HB 2.

Table 6
Department of Natural Resources and Conservation
House Bill 2 Language Appropriations
2001 and 2003 Biennia

Purpose	Program	2001 Biennium		2003 Biennium	
		Language Amount	Spent in FY2000	Executive Request FY2002	FY2003
1 Money from hazard reduction bond forfeitures	Forestry	\$0	\$0	\$10,000	\$10,000
2* Power sale money for equipment replacement or repair at the Broadwater dam	Water Res.	1,000,000	0	1,000,000	0
3* Interest earnings to repair, improve, or rehabilitate the Broadwater-Missouri diversion	Water Res.	20,000	0	70,000	0
4* Money from sale of hydro power to repair, improve, or rehabilitate state water projects	Water Res.	500,000	48,653	500,000	0
5* Loan principal repayments and accrued interest for rangeland loans	CARDD	700,000	0	700,000	0
6* Money in drinking water SRF loan loss account for planning grants	CARDD	100,000	0	100,000	0
7* Money in water pollution SRF loan loss account for planning grants	CARDD	100,000	0	100,000	0
8* Money in the Renewable Resource acct. to buy prior liens on loan secured property	CARDD	600,000	0	600,000	0
Total		<u>\$3,020,000</u>	<u>\$48,653</u>	<u>\$3,080,000</u>	<u>\$10,000</u>

* Requested as a biennial appropriation for the 2003 biennium

**LFD
ISSUE**

None of the language appropriations requested by the executive are for instances where, if the money became available, an expenditure has to be made. Therefore, none of the language appropriations are necessary for the department to meet its statutory obligations. If the legislature wants to provide appropriations for the requested purposes, it has two other options: 1) include a restricted appropriation directly in HB 2; or 2) wait until the 2003 session to appropriate any money received in the 2003 biennium.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	41.00	0.00	0.00	41.00	0.00	0.00	41.00	41.00
Personal Services	1,696,668	70,039	0	1,766,707	82,417	0	1,779,085	3,545,792
Operating Expenses	449,579	50,932	74,905	575,416	(21,686)	49,155	477,048	1,052,464
Total Costs	\$2,146,247	\$120,971	\$74,905	\$2,342,123	\$60,731	\$49,155	\$2,256,133	\$4,598,256
General Fund	1,865,298	123,520	74,905	2,063,723	63,280	49,155	1,977,733	4,041,456
State/Other Special	172,437	963	0	173,400	963	0	173,400	346,800
Federal Special	108,512	(3,512)	0	105,000	(3,512)	0	105,000	210,000
Total Funds	\$2,146,247	\$120,971	\$74,905	\$2,342,123	\$60,731	\$49,155	\$2,256,133	\$4,598,256

Program Description

The Centralized Services Division provides managerial and administrative support services to the department through: 1) the Director's Office, which includes the director, legal staff, and public information; and 2) support services, which manages all financial activities, coordinates information systems, produces publications and graphic materials, and performs general administrative support services. Support services include fiscal affairs, data processing, personnel, legal, reception, and mail. Responsibilities include trust revenue collection and distribution and maintenance of ownership records for trust and non-trust state-owned land.

Funding

The Centralized Services program is funded primarily with general fund, resource development funds, coal severance taxes, and federal indirect grant reimbursements. Table 7 provides details of the program's funding.

Table 7 Natural Resources and Conservation Centralized Services Div.						
	Actual FY 2000	% of Total	Executive Request FY 2002	% of Total	Executive Request FY 2003	% of Total
1100 General Fund	\$ 1,865,298		\$ 2,063,723		\$ 1,977,733	
Subtotal -- General Fund	\$ 1,865,298	86.91%	\$ 2,063,723	88.11%	\$ 1,977,733	87.66%
2052 Rangeland Improvement Loans	\$ 19,374		\$ 19,300		\$ 19,300	
2340 Coal Sev. Tax Shared SSR	5,345		5,300		5,300	
2430 Water Right Appropriation	25,874		26,000		26,000	
2432 Oil & Gas ERA	62,235		62,500		62,500	
2450 State Lands Res Dev	54,264		55,000		55,000	
2825 Water Well Contractors	5,345		5,300		5,300	
Subtotal -- State Special Revenue	\$ 172,437	8.03%	\$ 173,400	7.40%	\$ 173,400	7.69%
3255 CSD Federal Indirect	\$ 108,512		\$ 105,000		\$ 105,000	
Subtotal -- Federal	\$ 108,512	5.06%	\$ 105,000	4.48%	\$ 105,000	4.65%
Total Funding	\$ 2,146,247	100.00%	\$ 2,342,123	100.00%	\$ 2,256,133	100.00%

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				120,190					132,951
Vacancy Savings				(50,151)					(50,534)
Inflation/Deflation				(4,240)					(3,418)
Fixed Costs				37,838					(43,080)
Total Statewide Present Law Adjustments				\$103,637					\$35,919
DP 5 - CSD Operating Adjustment									
0.00	17,334	0	0	17,334	0.00	24,812	0	0	24,812
Total Other Present Law Adjustments									
0.00	\$17,334	\$0	\$0	\$17,334	0.00	\$24,812	\$0	\$0	\$24,812
Grand Total All Present Law Adjustments				\$120,971					\$60,731

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 5 - CSD Operating Adjustment - The executive is requesting a general fund appropriation of \$17,334 in fiscal 2002 and \$24,812 in fiscal 2003 for miscellaneous base adjustments including: 1) rent; 2) janitorial increases; and 3) communications and travel for a vacant trainer position that had been left vacant for 11 months to assist with vacancy savings. Table 8 shows the details of this request.

Table 8		
Department of Natural Resources and Conservation		
Operating Expense Adjustments -- Centralized Services Division		
Adjustment	FY 2002	FY 2003
Rent	\$ 12,903	\$ 19,795
Janitorial contract increases	872	1,458
Communications for vacant trainer position	300	300
Travel for vacant trainer position	3,259	3,259
Total Requested Adjustment	\$ 17,334	\$ 24,812

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 3 - Missoula Office Re-Wiring 21	0.00	25,750	0	0	25,750	0.00	0	0	0	0
DP 12 - NRIS Core Service Support 21	0.00	49,155	0	0	49,155	0.00	49,155	0	0	49,155
Total	0.00	\$74,905	\$0	\$0	\$74,905	0.00	\$49,155	\$0	\$0	\$49,155

New Proposals

DP 3 - Missoula Office Re-Wiring - DP 3 - Missoula Office Re-Wiring - The executive is requesting \$25,750 in fiscal 2002 to replace old wiring in the DNRC Missoula Forestry Complex to meet the current standard. The new wiring would provide the capacity for throughput up to 1gigabit (billion bits) per second with a guaranteed lifetime of 20 years.

LFD ISSUE

If the intent of the legislature is to upgrade the wiring at the Missoula Forestry complex, they should make the appropriation one-time only and restrict the spending to the wiring project.

DP 12 - NRIS Core Service Support - The executive is requesting \$49,155 in each year of the biennium for the Natural Resource Information System (NRIS), which is Montana's clearinghouse for natural resource information. DNRC has not provided funding for NRIS core services. This proposal would provide approximately 15.3 percent of funding for core operations based on historic use of services. DNRC uses NRIS for the natural heritage program for information on sensitive plant and animal lists for Montana, ecological communities, and GIS mapping of lands for easement purposes.

LFD COMMENT

NRIS is located within the Montana State Library Commission program and questions are being raised regarding funding for this program. Decisions made regarding NRIS funding may impact this decision package. Therefore, decisions on this decision package should be coordinated with actions taken on that budget. For a further discussion, see the State Library Commission budget discussion in the Education section, Volume 4.

Language Recommendations

The executive is recommending the following HB 2 language:

"Item 2 includes a total of \$98,310 for the 2003 biennium for the Montana natural resources information system. Quarterly payments must be made upon receipt of the bills from the state library up to the total amount appropriated."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	20.50	0.00	0.00	20.50	0.00	0.00	20.50	20.50
Personal Services	662,507	148,820	0	811,327	159,836	0	822,343	1,633,670
Operating Expenses	297,451	90,386	0	387,837	95,942	0	393,393	781,230
Equipment	27,678	0	0	27,678	0	0	27,678	55,356
Total Costs	\$987,636	\$239,206	\$0	\$1,226,842	\$255,778	\$0	\$1,243,414	\$2,470,256
State/Other Special	868,921	357,921	0	1,226,842	374,493	0	1,243,414	2,470,256
Federal Special	118,715	(118,715)	0	0	(118,715)	0	0	0
Total Funds	\$987,636	\$239,206	\$0	\$1,226,842	\$255,778	\$0	\$1,243,414	\$2,470,256

Program Description

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. The division: 1) issues drilling permits; 2) classifies wells; 3) establishes well spacing units and pooling orders; 4) inspects drilling, production, and seismic operations; 5) investigates complaints; 6) does engineering studies; 7) determines incremental production for enhanced recovery and horizontal wells to implement the tax incentive program for those projects; 8) operates the underground injection control program; 9) plugs orphan wells; and 10) collects and maintains complete well data and production information.

Funding

The state special revenue that funds this program comes from oil and gas well taxes and class II injection well annual operating fees. By statute (15-36-324, MCA), certain percentages of the oil production taxes and natural gas taxes are deposited to the account for the board's use. Under 82-11-131, MCA, the board can set the privilege and license tax up to 3/10 of 1 percent of the market value of each barrel of crude petroleum produced and of each 10,000 cubic feet of natural gas produced to comply with 15-36-324, MCA. Section 82-11-137, MCA, provides for a maximum \$300 annual operating fee for each class II injection well. The Board of Oil and Gas Conservation set the fee at \$200. State special revenue funds provided supplied nearly 88.0 percent of the funding, while federal special revenue was used to fund 12.0 percent. Federal funding will not be utilized in the 2003 biennium. Table 9 provides funding details for this program.

Table 9
Natural Resources and Conservation
Oil and Gas Conservation

	Actual FY 2000	Percent of Total	Executive Request FY 2002	Percent of Total	Executive Request FY 2003	Percent of Total
Oil & Gas ERA	\$ 868,921		\$ 1,226,842		\$ 1,243,414	
Subtotal -- State Special Revenue	\$ 868,921	87.98%	\$ 1,226,842	100.00%	\$ 1,243,414	100.00%
Oil and Gas Federal	\$ 118,715		\$ -		\$ -	
Subtotal -- Federal	\$ 118,715	12.02%	\$ -	0.00%	\$ -	0.00%
Total Funding	\$ 987,636	100.00%	\$ 1,226,842	100.00%	\$ 1,243,414	100.00%

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				157,519					163,845
Vacancy Savings				(22,370)					(22,561)
Inflation/Deflation				(2,472)					(2,203)
Fixed Costs				8,615					8,437
Total Statewide Present Law Adjustments				\$141,292					\$147,518
DP 6 - Operating Adjustments									
0.00	0	84,243	0	84,243	0.00	0	89,708	0	89,708
DP 10 - Personal Services Adjustment									
0.00	0	13,671	0	13,671	0.00	0	18,552	0	18,552
Total Other Present Law Adjustments									
0.00	\$0	\$97,914	\$0	\$97,914	0.00	\$0	\$108,260	\$0	\$108,260
Grand Total All Present Law Adjustments				\$239,206					\$255,778

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 6 - Operating Adjustments - The executive is requesting \$84,243 in fiscal 2002 and \$89,708 in fiscal 2003 for operating expense increases not included in the base budget. Major adjustments include contracted services related to the Risk Based Data Management System, EIS updates, mowing, and maintenance; supplies, communications, travel, and vehicle maintenance; mailing, printing, and travel costs associated with a coal bed methane-related programmatic EIS update. Table 10 details this request.

Table 10		
Department of Natural Resources and Conservation		
Operating Expense Adjustments -- Oil and Gas Conservation		
Adjustment	FY 2002	FY 2003
Contracted services	\$ 62,861	\$ 62,881
Supplies, communications, travel, and vehicle maintenance for vacant positions	9,991	9,991
Rent	767	1,342
Building and grounds repair	3,000	3,000
Mailing, printing, and travel associated with coal-methane EIS	5,389	10,619
Lodging -- increases in in-state lodging	<u>2,235</u>	<u>1,875</u>
 Total Requested Adjustment	 <u>\$ 84,243</u>	 <u>\$ 89,708</u>

**LFD
ISSUE**

There are three issues regarding this request.

- 1) The department has two field inspector positions that have been vacant since 1996. The legislature may wish to ask the department to justify the need for continued funding of these positions.
- 2) Since the coal-methane EIS is targeted to end in June of 2002, the legislature could make any related appropriations one-time-only.
- 3) Repairs to the air conditioning system are one-time-only in nature and the appropriation should reflect this.

DP 10 - Personal Services Adjustment - The executive is requesting various personal services increases that will be incurred in the 2003 biennium but are not reflected in the base budget because they are not part of the pay plan. Per diem amounting to \$8,000 in fiscal 2002 and \$5,600 in fiscal 2003 is added. Salaries and benefits are increased by \$4,671 in fiscal 2002 and \$11,952 in fiscal 2003 to reflect pay increases for exempt staff. Salary increases amounting to three percent per year are added for the Board's three exempt positions and benefits are increased by 26.51 percent of the salary increases. Overtime is increased by \$1,000 per year.

Language Recommendations

The executive is recommending the following language for HB 2:

"The department is authorized to decrease state special revenue in the underground injection control program and increase federal special revenue by a like amount when the amount of federal EPA funds available for the program becomes known. Any federal special revenue funds are to be spent before state special revenue funds."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	22.00	0.00	1.00	23.00	0.00	1.00	23.00	23.00
Personal Services	873,768	128,310	36,106	1,038,184	133,797	36,259	1,043,824	2,082,008
Operating Expenses	614,349	245,297	260,668	1,120,314	150,590	260,515	1,025,454	2,145,768
Equipment	48,348	0	0	48,348	0	0	48,348	96,696
Local Assistance	221,000	0	0	221,000	0	0	221,000	442,000
Grants	889,760	0	155,000	1,044,760	0	155,000	1,044,760	2,089,520
Benefits & Claims	1,600,977	(100,977)	0	1,500,000	(100,977)	0	1,500,000	3,000,000
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$4,248,202	\$272,630	\$451,774	\$4,972,606	\$183,410	\$451,774	\$4,883,386	\$9,855,992
General Fund	2,871,886	40,687	426,774	3,339,347	(84,456)	426,774	3,214,204	6,553,551
State/Other Special	1,226,064	220,544	25,000	1,471,608	256,467	25,000	1,507,531	2,979,139
Federal Special	150,252	11,399	0	161,651	11,399	0	161,651	323,302
Total Funds	\$4,248,202	\$272,630	\$451,774	\$4,972,606	\$183,410	\$451,774	\$4,883,386	\$9,855,992

Program Description

The Conservation and Resource Development Division is responsible for the administration of the Conservation District Act, State Grazing District Act, and numerous grant and loan programs. The division provides technical and financial assistance to local governments, state agencies, and private citizens for the conservation, development, protection, and management of natural resources throughout the state.

Funding

The division is funded with general fund, state special revenue, and federal revenue. Table 11 shows the funding sources of the division. This program is primarily funded with general fund (67.6 percent), coal severance taxes (14.8 percent), RIT accounts (12.2 percent), miscellaneous state special revenue funds (1.9 percent) federal drinking water and water pollution control funds (2.7 percent), and miscellaneous federal sources (0.8 percent).

Table 11 Natural Resources and Conservation Conservation and Resources Development						
	Actual FY 2000	Percent of Total	Executive Request FY 2002	Percent of Total	Executive Request FY 2003	Percent of Total
General Fund	\$ 2,871,886		\$ 4,244,347		\$ 3,309,204	
Subtotal -- General Fund	\$ 2,871,886	67.60%	\$ 4,244,347	61.71%	\$ 3,309,204	66.47%
Rangeland Improvement Loans	\$ 24,647		\$ 45,000		\$ 45,000	
Treasure State Endowment	24,969		26,000		26,000	
Renewable Resources Grant/Loan	290,956		373,532		426,870	
Go94B/Ban 93D Adm (1994 Gen. Obligation Bonds	10,503		12,003		12,003	
Coal Sev. Tax Shared SSR	627,135		652,135		652,135	
Grazing District Fees	19,246		70,754		-	
Reclamation and Development	228,608		292,184		345,523	
Subtotal -- State Special Revenue	\$ 1,226,064	28.86%	\$ 1,471,608	21.40%	\$ 1,507,531	30.28%
Res Devel & Cons - Fed	\$ 34,751		\$ 1,035,650		\$ 35,650	
Wastewater Treatment Grant	52,500		57,750		57,750	
EPA- St. Revolving Fund-Drinking Water 1998 Grant	63,001		68,251		68,251	
Subtotal -- Federal	\$ 150,252	3.54%	\$ 1,161,651	16.89%	\$ 161,651	3.25%
Total Funding	\$ 4,248,202	100.00%	\$ 6,877,606	100.00%	\$ 4,978,386	100.00%

Present Law Adjustments											
-----Fiscal 2002-----						-----Fiscal 2003-----					
FTE		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services					153,691						159,348
Vacancy Savings					(28,381)						(28,551)
Inflation/Deflation					2,988						4,997
Fixed Costs					3,801						3,593
Total Statewide Present Law Adjustments					\$132,099						\$139,387
DP 1 - Crow Settlement											
0.00		(100,977)	0	0	(100,977)	0.00	(100,977)	0	0	(100,977)	
DP 15 - Operating Resource Development Bureau											
0.00		20,000	43,500	10,500	74,000	0.00	20,000	43,500	10,500	74,000	
DP 20 - Rangeland Management Conservation											
0.00		15,000	0	0	15,000	0.00	15,000	0	0	15,000	
DP 23 - Operating Conservation Dist. Bureau											
0.00		56,000	0	0	56,000	0.00	56,000	0	0	56,000	
DP 37 - Grass Conservation Commission											
0.00		45,000	51,508	0	96,508	0.00	0	0	0	0	
DP 55 - Language Appropriations											
0.00		0	0	0	0	0.00	0	0	0	0	
Total Other Present Law Adjustments											
0.00		\$35,023	\$95,008	\$10,500	\$140,531	0.00	(\$9,977)	\$43,500	\$10,500	\$44,023	
Grand Total All Present Law Adjustments					\$272,630						\$183,410

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Crow Settlement - The executive is requesting a reduction of \$100,977 in fiscal years 2002 and 2003 to reflect interest costs on the Crow settlement. The June 1999 Special Session of the Montana Legislature approved the water rights and coal severance tax litigation settlement with the Crow Tribe. The state also authorized a "contribution to settlement" of \$15 million. "The State agrees to contribute the sum of \$15 million, in equal annual installments for a period of no more than 15 years beginning July 1, 1999, to a fund for the use and benefit of the Tribe." Pending final effectiveness of the compact, these funds are paid into escrow. Accordingly, the Department of Natural Resources and Conservation would have base expenditures of \$1.5 million in fiscal years 2002 and 2003. However, the department would have no interest costs in the amount of \$100,977 from the general fund to continue to meet the State of Montana's obligations under this settlement.

LFD COMMENT

The status of the Crow settlement is in question. If either party makes a decision to exit this agreement or it otherwise becomes dissolved, \$3.0 million would have to be removed from the department's base to reflect the dissolution.

DP 15 - Operating Resource Development Bureau - The executive is requesting \$74,000 in each year of the biennium to increase operating expenses for the Resource Development Bureau to include anticipated costs not in the base budget. Table 12 provides details of the request:

- 1) The Irrigation Development program was in a startup phase during fiscal 2000. As a result, the base year reflects only six months of operating expenses. Consequently, communications, travel, and rent would be adjusted to reflect annualized figure.

- 2) Rent costs in non-state buildings in Helena, Billings, and Miles City are expected to increase 5 percent per year in the next biennium.

- 3) Additional funds are requested for overtime costs for the bureau due to expected workloads in the renewable resource grant and state revolving fund, and reclamation and development grant programs.

Table 12 Department of Natural Resources and Conservation Operating Expense Adjustments -- CARDD		
Adjustment	FY 2002	FY 2003
Personal services	\$ 1,000	\$ 1,000
Contracted Services	39,313	38,510
Communications	2,000	2,000
Travel	14,000	14,000
Rent	500	500
Other	17,187	17,990
Total Requested Adjustment	\$ 74,000	\$ 74,000

DP 20 - Rangeland Management Conservation - The executive is requesting \$15,000 each year of the biennium to contract with the Natural Resource Conservation Service (NRCS) for statewide rangeland management support. The Conservation And Resource Development Division (CARDD) has entered into a contract with the NRCS to cost share the services of a federal employee to be assigned to CARDD as a Rangeland Coordinator. The federal agency is requiring an increased cost share from the state from \$15,000 in the current base to \$30,000 in fiscal 2002. This increase would fund one-third of the total cost of the contract. Federal support makes up the other two-thirds

DP 23 - Operating Conservation Dist. Bureau - The executive is requesting \$56,000 in each year of the biennium to fund operating expenses not included in the base budget. Items included in the request include:

- 1) The small landowner program workshops, which include up to nine sessions per workshop series, are expected to increase from 5 per year in the 2001 biennium to 10 per year in the 2003 biennium. Consequently, travel, supplies, and contracted services expenses are anticipated to increase.
- 2) Overtime is expected because the number of administrative and watershed grant program projects have increased to 223. Because of additional funding, the grant administration workload is expected to increase by an additional 20 to 25 projects per year.

DP 37 - Grass Conservation Commission - The executive is requesting \$96,508 (\$45,000 general fund) in fiscal 2002 to fund travel and per diem for the commission, staffing, and administrative support functions. Montana Grass Conservation Commission is administratively attached to DNRC and is composed of five members appointed by the Governor. The Grass Commission did not get a commissioner and staff in place until nine months into fiscal 2000. Therefore, base expenditures do not reflect a full year operations. The Montana Grass Conservation Commission was established in the 1999 legislative session in HB 444 to provide administrative support to the Montana Grass Conservation Commission. This decision package would restore base expenditures for commission per diem and travel. In addition, \$70,000 is requested for contracted services.

DP 55 - Language Appropriations - The executive is requesting the following language appropriations:

The department is appropriated up to \$700,000 for the 2003 biennium from the account established in 76-14-112, MCA, for rangeland loans during the 2003 biennium.

The department is appropriated up to \$600,000 for the 2003 biennium from the state special revenue account established in section 85-1-604 for the purchase of prior liens on property held as loan security as required by section 85-1-618.

During the 2003 biennium, up to \$100,000 of excess loan loss reserve money in the water pollution control state revolving fund is appropriated to make grants to aid in the feasibility of projects as authorized in 75-5-1113(3)(b), MCA .

During the 2003 biennium, up to \$100,000 of excess loan loss reserve money in the drinking water state revolving fund is appropriated to make grants to aid in the feasibility of projects as authorized in 75-6-224(3)(b), MCA.

**LFD
ISSUE**

Please see agency-wide issue on language appropriations

New Proposals										
Prgm	FTE	-----Fiscal 2002-----				FTE	-----Fiscal 2003-----			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 4 - Irrigation Assistance Program										
23	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
DP 6 - Regional Water System Coordinator										
23	1.00	52,054	0	0	52,054	1.00	52,054	0	0	52,054
DP 7 - Language Revolving Loan Programs										
23	0.00	0	0	0	0	0.00	0	0	0	0
DP 10 - Dry Prairie Rural Water Project										
23	0.00	99,720	0	0	99,720	0.00	99,720	0	0	99,720
DP 11 - North Central MT Regional Water Authority										
23	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 13 - Eastern Plains RC&D										
23	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
Total	1.00	\$426,774	\$25,000	\$0	\$451,774	1.00	\$426,774	\$25,000	\$0	\$451,774

New Proposals

DP 1 - Agriculture Heritage - The executive is requesting \$1,905,000 in fiscal 2002 and \$95,000 in fiscal 2003 for the Agriculture Heritage program. The 1999 legislature enacted SB 342, the "Montana Agricultural Heritage Act." The Act created a Montana Agricultural Heritage Commission. Program funding was appropriated to the Department of Agriculture for the 2001 biennium, whereby a memorandum of understanding was written and the program transferred to DNRC. Funds would be used to continue this program with one FTE and operating expenses for the commission. Primary use of funds is for grants and/or contracts to develop and fund the purchase of agricultural conservation easements.

This program seeks to purchase certain rights for purposes of conservation from a landowner. A landowner has a right to construct buildings, irrigate, or restrict access to his or her land. This program purchases the rights for purposes of conservation. Once an easement is purchased, a landowner may continue certain activities such as control access, make certain improvements that are agriculturally related, and enhance wildlife habitat. However, the landowner cannot subdivide, erect billboards, or conduct surface mining. Easements purchased under this program are usually held by a land trust rather than the State of Montana.

In determining which lands will be selected for easement purchases, the board considers a number of criteria. For example, the board examines the natural or public values of the land, cooperation and support among neighboring property owners, habitats for native wild species, and potential social and economic impacts to affected local governments.

There are currently 22 landowners who have made applications of which 8 were successful in having an easement purchased under the program. The cost to acquire these easements was \$888,000 and the leases totaled 9,923 acres. Thus, the cost for the easements was \$89.48 per acre.

**LFD
ISSUE**

Agricultural heritage literature suggests that if the State of Montana invests in agricultural easements, the agriculture industry in Montana will be protected for future generations. An easement can be an effective way to prevent a landowner from developing land in certain ways, erecting billboards, or dumping toxic waste. However, even though general fund money might be used to purchase the easement, it does not guarantee public access to the land. It also does not guarantee that the land will be used for sustained agricultural uses. In addition, neither the department nor the State of Montana holds title to the easement. Thus, the State of Montana ultimately purchases the easement for third parties.

**LFD
ISSUE**

The 1999 legislature approved \$1.0 million of general fund authority for this program. This proposal seeks to double that amount over the biennium to \$2.0 million. Of that amount, \$1.0 million is for federal funding that the program is attempting to secure. The legislature could consider the following options:

- 1) approve the decision package for full funding and continue it as a permanent program;
- 2) restrict spending and make the appropriation one-time-only;
- 3) make a portion of the appropriation contingent upon receiving federal funding; or
- 4) not approve funding for this program.

DP 4 - Irrigation Assistance Program - The executive is requesting a one-time appropriation of \$150,000 each year of the biennium for grant funds to help defray the cost of planning efforts for new irrigation developments. If approved, this decision package would provide funds for preliminary engineering, environmental review, local coordination, creation of irrigation districts, and other planning costs. The goal is to increase the number of acres irrigated to contribute to the goal of increasing the value of Montana agriculture.

**LFD
ISSUE**

In the 1999 legislative session the executive was given a \$150,000 one-time-only appropriation to study the feasibility of increasing the number of irrigated acres in Montana. In conjunction, the executive was given permanent funding for 2.5 FTE to specialize in educating producers, conservation districts, and economic developers regarding irrigation, product availability, and development of irrigation systems. If 2.5 FTE were hired to help develop new irrigation systems and find resources, it raises the question of the need for a grant program.

DP 6 - Regional Water System Coordinator - The executive is requesting \$52,054 in each year of the biennium that would be used to hire one FTE and pay operating expenses for a regional water coordinator. This staff member would coordinate state agency activities with the two regional water systems. The purpose of this effort is to assist in obtaining and administering state funding and to provide a point of contact between the local regional systems and the state agencies.

Funding would result in the construction of two regional drinking water systems to serve communities, rural residents, and two Montana reservations. In the 2003 biennium, goals would include passage of federal legislation authorizing the projects (if this is not achieved this biennium), seeking initial federal appropriations to begin final design of the projects, and beginning the construction of the projects.

**LFD
COMMENT**

The 1999 legislature established two regional water systems in North Central and Northeast Montana and created a treasure state endowment regional water system fund to pay for design and construction. The account is funded through fiscal 2013 by diverting coal severance tax trust funds and can be used for planning and design of regional water systems on a dollar for dollar match with local funds. The two systems addressed in DP's 10 and 11 were specifically reviewed by the 1999 legislature.

**LFD
ISSUE**

The Resource Development bureau already has several loan programs in place. The legislature could direct the department to seek efficiencies in existing programs to accommodate this type of loan.

**LFD
ISSUE**

The executive proposes using general fund for this position. Funding could come from coal severance tax trust funds that are directed to the treasure state endowment regional water system special revenue account. These funds can be used for planning and construction purposes for regional water systems in Montana.

DP 7 - Language Revolving Loan Programs - The executive is requesting a language appropriation in HB 2. Three funding sources are available for funding the administration of the State Revolving Fund Loan Programs (federal capitalization, bond proceeds (CAP), and state special revenue funds). Language would be used to move authority from federal to state funds if appropriate. The proposed language would read:

"The department is authorized to decrease federal special revenue money in the Pollution Control and/or the Drinking Water Revolving Fund Loan programs and increase state special revenue money by a like amount within the special administration account when the amount of federal EPA CAP funds have been expended. Any federal special revenue funds are to be spent before state special revenue funds."

Federal capitalization funds and bond proceeds are available for administration of the state revolving fund programs, as well as the special administration account if the above two accounts are not available. This language provides the ability to use the third fund if necessary, as authorized in the trust indenture. Language provides a method to move authority from federal funds to state funds if federal monies are depleted to fund administration of the state revolving fund loan programs.

DP 10 - Dry Prairie Rural Water Project - The executive is requesting \$99,720 each year of the biennium to secure federal funding, maintain local support, negotiate agreements, and to work on engineering and environmental planning for the Fort Peck Dry Prairie Rural Water System project. Contracted service funds would be passed through to the Dry Prairie Regional Water Authority for administrative costs to administer this regional water system project. The Authority received funding in the 2001 biennium for these purposes. In the 2003 biennium, goals would include passage of federal legislation authorizing the project, seeking initial federal appropriations to begin final design of the project, and beginning the construction of the project.

DP 11 - North Central MT Regional Water Authority - The executive is requesting \$125,000 in each year of the biennium for administrative expenses to secure federal funding, maintain local support, negotiate agreements, and to work on engineering and environmental planning for the Rocky Boy North Central Regional Rural Water System project. This regional rural water project would provide drinking water to the Rocky Boy Reservation and approximately 20 communities in North Central Montana.

Contracted service funds would be passed through to the North Central Regional Water Authority for salaries, travel, communications, supplies, and other costs necessary to administer this regional water system project. The Authority received funding in the 2001 biennium for these purposes. Accomplishments include the formation of the Water Authority, final draft of federal authorization legislation, and initiation of the formal negotiation of a water service agreement between the United States, Rocky Boy Reservation, and the Water Authority.

**LFD
ISSUE**

During the last legislative session, the same activities contained in decision packages 10 and 11 were funded with the renewable resources RIT grant and loan program. In contrast, these requests propose to use general fund authority. Since these projects each benefit one region, the legislature could consider the following options to reduce the burden on the general fund:

- 1) The legislature could fund these projects with RIT.
- 2) Funding could come from coal severance tax trust funds that are directed to the treasure state endowment regional water system special revenue account. These funds can be used for planning and construction purposes for regional water systems in Montana.
- 3) Any combination of the above.

**LFD
ISSUE**

These programs were funded as one-time-only projects in the 1999 legislative session. If program goals have been accomplished, then additional funding should not be provided. Since the 1999 legislature anticipated completion of the need for this funding in the current biennium, it may wish to ask the department why current funding is being requested and how long further state involvement is envisioned.

If it is the legislature's intent to extend the project into the 2003 biennium, these projects should be funded with restricted one-time-only appropriations and require the executive to provide the 2003 legislative session a comprehensive progress report. If it is the legislature's intent to continue these programs as on-going projects, it should be funded as requested without the one-time-only designation.

DP 13 - Eastern Plains RC&D - The executive is requesting \$25,000 in each year of the biennium to fund the Eastern Plains RC&D to administer a community project startup grant program to sixteen eastern Montana counties. This program was approved for the 2001 biennium as one-time-only and spending was restricted.

**LFD
ISSUE**

This program was funded as a one-time-only project in the 1999 legislative session. If program goals have been accomplished, then additional funding should not be provided. If it is the legislature's intent to extend the project into the 2003 biennium, they should fund this project with a restricted one-time-only appropriation and require the executive to provide the 2003 legislature a comprehensive progress report. If it is the legislature's intent to continue this program as an on-going project, then they should fund this project as requested without the one-time-only designation.

Language Recommendations

The executive is recommending the following language for HB2:

"The department is appropriated up to \$700,000 for the 2003 biennium from the account established in section 76-14-112,MCA, for rangeland loans during the 2003 biennium."

"The department is appropriated up to \$600,000 for the 2003 biennium from the state special revenue account established in section 85-1-604 for the purchase of prior liens on property held as loan security as required by section 85-1-618."

"During the 2003 biennium, up to \$100,000 of excess loan loss reserve money in the water pollution control state revolving fund is appropriated to make grants to aid in the feasibility of projects as authorized in section 75-5-1113(3)(b) MCA."

"During the 2003 biennium, up to \$100,000 of excess loan loss reserve money in the drinking water state revolving fund is appropriated to make grants to aid in the feasibility of projects as authorized in section 75-6-224(3)(b), MCA."

"The department is authorized to decrease federal special revenue money in the pollution control and/or the drinking water revolving fund loan programs and increase state special revenue money by a like amount within the special administration account when the amount of federal EPA CAP funds have been expended. Any federal special revenue funds are to be spent before state special revenue funds."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	112.50	2.75	1.25	116.50	2.75	1.25	116.50	116.50
Personal Services	4,575,339	284,628	51,919	4,911,886	310,795	52,145	4,938,279	9,850,165
Operating Expenses	1,823,738	3,852,970	185,429	5,862,137	245,624	185,241	2,254,603	8,116,740
Equipment	24,793	(500)	0	24,293	(500)	0	24,293	48,586
Capital Outlay	0	0	0	0	0	0	0	0
Grants	0	0	120,000	120,000	0	120,000	120,000	240,000
Debt Service	376,341	93,402	0	469,743	93,602	0	469,943	939,686
Total Costs	\$6,800,211	\$4,230,500	\$357,348	\$11,388,059	\$649,521	\$357,386	\$7,807,118	\$19,195,177
General Fund	5,693,470	295,025	117,600	6,106,095	364,902	117,600	6,175,972	12,282,067
State/Other Special	971,226	3,828,626	70,000	4,869,852	176,738	70,000	1,217,964	6,087,816
Federal Special	135,515	106,849	169,748	412,112	107,881	169,786	413,182	825,294
Total Funds	\$6,800,211	\$4,230,500	\$357,348	\$11,388,059	\$649,521	\$357,386	\$7,807,118	\$19,195,177

Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. The division also develops and recommends water policy to the director, Governor, and legislature. The division consists of an administration unit and four bureaus: Water Management Bureau, Water Rights Bureau, State Water Projects Bureau, and the Water Operations Bureau.

Funding

The Water Resources Division is funded with general fund, state special revenue, and a minor amount of federal funds. Table 13 shows the components of the Water Resources Division and associated funding.

Table 13 Natural Resources and Conservation Water Resources						
	Actual FY 2000	Percent of Total	Executive Request FY 2002	Percent of Total	Executive Request FY 2003	Percent of Total
General Fund	\$ 5,693,470		\$ 6,106,095		\$ 6,175,972	
Subtotal -- General Fund	\$ 5,693,470	83.72%	\$ 6,106,095	53.62%	\$ 6,175,972	79.11%
Miscellaneous State Special Rev.	\$ 214,803		\$ 308,205		\$ 308,405	
Broadwater O & M	253,088		338,829		310,641	
CST 90 A Fisheries Mitigation	-		32,000		32,000	
Water Storage State Special Rev. Acct	-		500,000		-	
Water Project Lands Lease Account	1,850		1,850		1,850	
General License	59,438		61,535		62,635	
Water Right Appropriation	223,267		291,053		266,053	
State Project Hydro Earnings	161,538		3,261,538		161,538	
Water Well Contractors	57,242		74,842		74,842	
Subtotal -- State Special Revenue	\$ 971,226	14.28%	\$ 4,869,852	42.76%	\$ 1,217,964	15.60%
Water Resources -- FED	\$ 22,996		\$ 23,000		\$ 23,000	
State Assistance Program	112,519		364,112		365,182	
BOR Beaverhead Groundwater	-		25,000		25,000	
Subtotal -- Federal	\$ 135,515	1.99%	\$ 412,112	3.62%	\$ 413,182	5.29%
Total Funding	\$ 6,800,211	100.00%	\$ 11,388,059	100.00%	\$ 7,807,118	100.00%

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					332,126					358,760
Vacancy Savings					(135,011)					(135,810)
Inflation/Deflation					(8,071)					(6,689)
Fixed Costs					55,311					72,135
Total Statewide Present Law Adjustments					\$244,355					\$288,396
DP 2 - State Water Project Rehabilitation	0.00	0	3,600,000	0	3,600,000	0.00	0	0	0	0
DP 11 - Water Right Records Conversion	0.00	1,170	100,000	0	101,170	0.00	9,390	75,000	0	84,390
DP 22 - Dam Safety Improvement	2.75	0	0	81,845	81,845	2.75	0	0	82,177	82,177
DP 28 - Operating Expense Adjustments	0.00	20,148	41,865	0	62,013	0.00	22,911	43,165	0	66,076
DP 30 - Lease Vehicles - Program 24	0.00	33,275	4,842	0	38,117	0.00	49,174	6,308	0	55,482
DP 32 - Broadwater Hydropower Facility	0.00	0	62,000	0	62,000	0.00	0	32,000	0	32,000
DP 57 - Language Appropriations	0.00	0	0	0	0	0.00	0	0	0	0
DP 59 - Federal Budget Amendment	0.00	0	0	25,000	25,000	0.00	0	0	25,000	25,000
DP 100 - Water Well Litigation	0.00	0	16,000	0	16,000	0.00	0	16,000	0	16,000
Total Other Present Law Adjustments	2.75	\$54,593	\$3,824,707	\$106,845	\$3,986,145	2.75	\$81,475	\$172,473	\$107,177	\$361,125
Grand Total All Present Law Adjustments					\$4,230,500					\$649,521

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - State Water Project Rehabilitation - The executive is requesting \$3,600,000 in fiscal 2002 as a biennial appropriation to perform rehabilitation of Bair Dam and Nevada Creek Dam. Bair Dam is a high-hazard earthen embankment located on the North Fork of the Musselshell River near Checkerboard. Rehabilitation would include replacement of the spillway and outlet structures and stabilization of the rock-cut slope above the existing spillway. Nevada Creek Dam is an earthen embankment, high-hazard dam located near Helmville in Powell County. Rehabilitation would include replacement of the spillway structure with a new reinforced concrete structure designed to meet current dam safety standards; installation of additional drains in the dam to collect seepage and ensure it does not threaten the integrity of the dam; and extension of the end of the outlet pipe to facilitate installation of a seepage collection system and a buttress against the toe of the dam slope to improve stability.

LFD COMMENT

Funding for these rehabilitation activities would come from the Broadwater hydropower earnings account (\$3.1 million) and the water storage account (\$0.5 million). The Broadwater hydropower facility is a DNRC owned and operated hydropower facility located near Toston. This facility will produce a maximum capacity of 10 megawatts and the department contracts with the Montana Power Company to sell the energy. Earnings are deposited to the Broadwater hydropower earnings account and used to pay for rehabilitating other state-owned water projects. In addition to the state funding, respective water user associations would provide the estimated \$1.2 million remaining funding.

DP 11 - Water Right Records Conversion - The executive is requesting \$101,170 in fiscal 2002 and \$84,390 in fiscal 2003 to replace the current system of microfilming water right documents for information storage and access with a system that would convert the water right records to electronic digital format. The conversion project would entail scanning the water right documents, then digitizing and electronically storing the information for security and access via the Internet. The goal is to reduce staff time currently dedicated to maintaining microfilm libraries and provide more efficient and accurate water right data analysis capability.

**LFD
ISSUE**

Due to the short-term nature of the project, if funded, the appropriation should be one-time-only.

DP 22 - Dam Safety Improvement - The executive is requesting \$81,845 in fiscal 2002 and \$82,177 in fiscal 2003 for 2.75 FTE to assist dam owners with maintenance inspections on dams, to gather field data to update the state inventory of dams, to provide training for state dam safety engineers, and to complete seismic evaluations on dam designs. The Federal Emergency Management Agency (FEMA) is expected to continue providing funds for this purpose. This request would increase the current federal appropriation from \$50,000 to the approximately \$134,000 expected to be available from FEMA.

DP 28 - Operating Expense Adjustments - The executive is requesting \$62,013 in fiscal 2002 and \$66,076 in fiscal 2003 for various base adjustments for operating expense adjustments including training, board member per diem, consulting services, janitorial services, computer hardware and software, copy machines, postage, lodging, rent, and minor equipment. Table 14 summarizes this request.

Adjustment	FY 2002	FY 2003
170 hours of overtime, maintenance, unanticipated expenses	\$ 5,215	\$ 5,215
Per diem	600	600
Early completion of water rights database	(123,214)	(123,214)
Six percent increase in stream gauging program	13,500	14,310
Restore base because of lack of spending due to low spring run-off	18,000	18,000
Increased janitorial costs for Billings and Lewistown, decrease for Bozeman	775	414
New PC		2,300
Water measuring equipment	10,000	10,000
Gasoline	390	390
Copy machines and microfiche reader for water records	3,615	2,465
Reduction in equipment appropriation	(19,315)	(19,315)
Software upgrades -- Auto-cad	2,200	1,000
Software upgrades -- Hydrology	1,500	1,500
Milk River Watershed Newsletter -- Postage	1,200	1,200
Phone move in Bozeman -- one time only	4,436	-
In-state lodging increase	11,180	11,180
Travel increases for FWP water projects and engineer licenses (includes in-state meals)	2,459	2,459
Newsletter production costs for milk river	2606	2606
Travel costs with hydrological field studies	1000	1000
Travel for new water rights database because of early completion	-2186	-2186
Office rental in regional offices	15,495	23,380
Replacement pumps, motors, and relays for Broadwater plant	10,000	10,000
Maintenance agreements for copy machine and microfiche readers	555	570
Technical Training courses	2,400	2,400
FERC hydropower plant license increase	6,700	6,700
Non-recurring equipment purchase -- state water projects	(500)	(500)
Debt service adjustment due to increase in loan principal and interest	93,402	93,602
Total Requested Adjustment	\$ 62,013	\$ 66,076

DP 30 - Lease Vehicles - Program 24 - The executive is requesting \$38,117 in fiscal 2002 and \$55,482 in fiscal 2003 for ten lease vehicles to replace eight agency-owned vehicles in fiscal 2002 and an additional two vehicles in fiscal 2003 with lease vehicles from the Motor Pool. Lease costs include gas, liability insurance, and all vehicle maintenance.

DP 32 - Broadwater Hydropower Facility - The executive is requesting \$62,000 in fiscal 2002 and \$32,000 in fiscal 2003 for two projects. The facility's Federal Energy Regulatory Commission (FERC) hydropower license requires preparation and submittal of a comprehensive dam safety report every five years. A FERC approved consultant must conduct the dam safety evaluation and submit a report by July 1, 2002. The FERC license also requires a fisheries evaluation and report to be submitted to FERC regarding the impacts of the construction of the Broadwater Power Project. Proposed funding is \$30,000 in fiscal 2002 from the Broadwater operations and maintenance account (02145) and \$32,000 per year from the fisheries mitigation account (02177).

**LFD
ISSUE**

Because of the one-time nature of this project, the appropriation should be designated as one-time-only.

DP 57 - Language Appropriations - The executive is requesting the following language appropriations:

- 1) During the 2003 biennium, up to \$1 million of funds currently in or to be deposited in the Broadwater replacement and renewal account are appropriated to the department for repairing or replacing equipment at the Broadwater hydropower facility.
- 2) During the 2003 biennium up to \$70,000 of interest earned on the Broadwater water users account is appropriated to the department for the purpose of repair, improvement, or rehabilitation of the Broadwater-Missouri diversion project.
- 3) During the 2003 biennium, up to \$500,000 of funds currently in or to be deposited in the state project hydropower earnings account are appropriated for the purpose of repairing, improving, or rehabilitating department state water projects.

**LFD
ISSUE**

See the agency issue regarding language appropriations.

DP 59 - Federal Budget Amendment - The executive is requesting \$25,000 in each year of the biennium to fund projects that fall under a Bureau of Reclamation grant award. The Bureau of Reclamation has approved a federal award for investigations on Twin Lakes Dam and measuring flows on the Big Hole River and its tributaries. The studies would assist land managers in the optimization of the basins' water resources. The federal award extends to September 30, 2003.

DP 100 - Water Well Litigation - The executive is requesting \$16,000 in each year of the biennium that would be used to pay legal costs associated with alleged violations of water well construction standards. Funds for these allegations and potential litigation are not included in the base budget for the Water Well Contractors program. The base budget includes only personal services costs and operating expenses for one field inspector.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 1 - Collaborative Clark Fork Basin Planning Proposal										
24	1.00	117,600	0	0	117,600	1.00	117,600	0	0	117,600
DP 5 - Water Right Permit Verification										
24	0.00	0	70,000	0	70,000	0.00	0	70,000	0	70,000
DP 8 - Flood Damage Reduction										
24	0.25	0	0	169,748	169,748	0.25	0	0	169,786	169,786
Total	1.25	\$117,600	\$70,000	\$169,748	\$357,348	1.25	\$117,600	\$70,000	\$169,786	\$357,386

New Proposals

DP 1 - Collaborative Clark Fork Basin Planning Proposal - The executive is requesting \$117,600 in each year of the biennium to fund 1.0 FTE and associated costs for implementation of the collaborative Clark Fork Basin planning proposal. The request would create a Clark Fork River Basin Task Force to initiate a basin-wide collaborative process to develop a water management plan that would define ways to protect existing water uses and define the use of water supplies. If funded, the request would include a grade 15 coordinator, per diem for an estimated 15 participants, contracted services, supplies, communications, and other expenses.

DP 5 - Water Right Permit Verification - The executive is requesting \$70,000 in each year of the biennium for water rights verification. With approval of an appropriation of \$70,000 per fiscal year, the executive would complete about 800 verifications per year. The verification backlog of 8,200 is expected to be eliminated within eight years. Funding would come from the water rights appropriation account.

LFD ISSUE

The 1999 legislature approved a one-time appropriation to deal with the water rights inspections backlog. If the legislature decides to continue with this project they should be aware that it is an on-going project, and would cost an additional \$560,000 over the next four biennia.

DP 8 - Flood Damage Reduction - The executive is requesting \$169,748 in fiscal 2002 and \$169,786 in fiscal 2003 to fund a flood damage reduction program and 0.25 FTE. The program would develop maps of floodways and floodplains to illustrate flood-hazard information regarding home construction and other activities in flood-prone areas and provide flood mitigation assistance to communities.

LFD ISSUE

The 1999 legislature granted a restricted one-time only appropriation for flood mitigation assistance. The money was to be used to contract personnel to ensure counties and municipalities were meeting minimum state flood plain standards. If it is the legislature's intent to fund this program only for the 2003 biennium, it should be restricted and designated one-time-only. Also, the legislature could direct the department to report back to the 2003 legislature to show how progress is being made toward flood mitigation goals.

Language Recommendations

The executive is recommending the following language for HB 2:

"During the 2003 biennium, up to \$1 million of funds currently in or to be deposited in the Broadwater replacement and renewal account are appropriated to the department for repairing or replacing equipment at the Broadwater hydropower facility."

"During the 2003 biennium up to \$70,000 of interest earned on the Broadwater water users account is appropriated to the department for the purpose of repair, improvement, or rehabilitation of the Broadwater-Missouri diversion project."

"During the 2003 biennium, up to \$500,000 of funds currently in or to be deposited in the state project hydropower earnings account are appropriated for the purpose of repairing, improving, or rehabilitating department state water projects."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	12.00	0.00	0.00	12.00	0.00	0.00	12.00	12.00
Personal Services	499,242	73,188	0	572,430	76,788	0	576,030	1,148,460
Operating Expenses	144,970	14,113	0	159,083	12,912	0	157,882	316,965
Equipment	0	6,000	0	6,000	10,500	0	10,500	16,500
Total Costs	\$644,212	\$93,301	\$0	\$737,513	\$100,200	\$0	\$744,412	\$1,481,925
General Fund	644,212	93,301	0	737,513	100,200	0	744,412	1,481,925
State/Other Special	0	0	0	0	0	0	0	0
Total Funds	\$644,212	\$93,301	\$0	\$737,513	\$100,200	\$0	\$744,412	\$1,481,925

Program Description

The Reserved Water Rights Compact Commission (RWRCC) was created by the legislature in 1979 as part of the water rights adjudication effort. It consists of four members appointed by the Governor, two by the President of the Senate, two by the Speaker of the House of Representatives, and one by the Attorney General. Members serve for four years. The commission negotiates water rights with the Indian tribes and federal agencies which claim federal reserved water rights within the state to establish a formal agreement (compact) on the amount of water to be allocated to each interest.

Funding

The Reserved Water Rights Compact Commission is funded entirely with general fund.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				85,558					89,166
Vacancy Savings				(16,270)					(16,378)
Inflation/Deflation				1,250					2,005
Fixed Costs				3,596					3,399
Total Statewide Present Law Adjustments				\$74,134					\$78,192
DP 7 - RWRCC Per Diem & Operating									
0.00	13,167	0	0	13,167	0.00	11,508	0	0	11,508
DP 12 - Equipment Replacement									
0.00	6,000	0	0	6,000	0.00	10,500	0	0	10,500
Total Other Present Law Adjustments									
0.00	\$19,167	\$0	\$0	\$19,167	0.00	\$22,008	\$0	\$0	\$22,008
Grand Total All Present Law Adjustments				\$93,301					\$100,200

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 7 - RWRCC Per Diem & Operating - The executive is requesting \$13,167 in fiscal 2002 and \$11,508 in fiscal 2003 for per diem and operating costs that are not included in the base. The following table outlines the request.

Table 15		
Department of Natural Resources and Conservation		
Operating Expense Adjustments -- Reserved Water Rights Compact Commission		
Adjustment	FY 2002	FY 2003
Per diem	\$ 3,900	\$ 4,000
Rent	3,005	4,610
In-state lodging	2,600	2,600
Janitorial service	162	298
New employees office package	1,500	-
Computer and software for new employee	2,000	-
Total Requested Amount	<u>\$ 13,167</u>	<u>\$ 11,508</u>

DP 12 - Equipment Replacement - The executive is requesting \$6,000 in fiscal 2002 and \$10,500 in fiscal 2003 to upgrade a Sun Unix Workstation. An upgrade to the current Unix computer system (hardware/software) would be used to increase Reserve Water Rights Compact Commission's capabilities to utilize global information system data. The present system is 6-years old. Also, based on past usage and expected life cycle, the executive estimates that a new plotter will be needed in fiscal 2003 at a cost of \$10,500.

**LFD
ISSUE**

Due to the one-time nature of this request, it should be designated as one-time-only.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	292.28	(0.66)	1.00	292.62	(0.66)	1.00	292.62	292.62
Personal Services	10,146,644	946,562	33,290	11,126,496	1,013,039	33,431	11,193,114	22,319,610
Operating Expenses	4,831,419	1,626,042	303,000	6,760,461	1,539,541	98,000	6,468,960	13,229,421
Equipment	653,707	66,632	0	720,339	57,132	0	710,839	1,431,178
Capital Outlay	847	0	0	847	0	0	847	1,694
Transfers	355,419	33,750	0	389,169	33,750	0	389,169	778,338
Debt Service	13,424	101,000	0	114,424	101,000	0	114,424	228,848
Total Costs	\$16,001,460	\$2,773,986	\$336,290	\$19,111,736	\$2,744,462	\$131,431	\$18,877,353	\$37,989,089
General Fund	5,454,428	769,277	48,290	6,271,995	698,810	43,431	6,196,669	12,468,664
State/Other Special	9,552,704	1,706,633	10,000	11,269,337	1,738,162	10,000	11,300,866	22,570,203
Federal Special	994,328	298,076	278,000	1,570,404	307,490	78,000	1,379,818	2,950,222
Total Funds	\$16,001,460	\$2,773,986	\$336,290	\$19,111,736	\$2,744,462	\$131,431	\$18,877,353	\$37,989,089

Program Description

LFD COMMENT The 1999 legislature authorized the department to combine Trust Land Management Division and Forestry Division data for accounting and financial reporting purposes beginning July 1, 1999. However, the legislature wanted to see individual budgets reported separately for the 2003 biennium. Because of technology limitations, the decision packages in this discussion are combined. However, division and funding discussions are presented separately and documentation is available that will show funding and decision packages for each division on a separate basis.

FORESTRY DIVISION

The Forestry Division is responsible for planning and implementing forestry programs statewide. Forestry responsibilities include protecting Montana's natural resources from wildfire, regulating forest practices, and providing a variety of services to private forest landowners. Specific programs include:

- 1) Fire and Aviation Management - Protecting 50 million acres of state and private forest and watershed lands from wildfire through a combination of direct protection and county support.
- 2) Forest Practice Regulation - Enforcing Montana's streamside management zone regulations and monitoring the voluntary best management practices program on all forests in Montana.
- 3) Administering Montana's Fire Hazard Reduction Law - Ensuring that the fire hazard created by logging and other forest management operations on private forest lands is adequately reduced, or that additional fire protection is provided until the hazard is reduced.
- 4) Providing Forestry Services - Providing technical forestry assistance to private landowners, businesses, and communities.
- 5) Tree and Shrub Nursery - Growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana.

TRUST LANDS MANAGEMENT

The Trust Land Management Division provides for the administration and management of trust lands granted to the State of Montana by the Enabling Act of 1889. These lands currently total 5.2 million surface acres and 6.2 million mineral acres. Additionally, the division is responsible for the administration of approximately 6,000 miles (40,000+ acres) of beds of navigable waterways. The Trust Land Management Division is divided into four primary programs: forest management, agriculture and grazing management, special use management, and minerals management.

Funding**FORESTRY DIVISION**

Table 16 shows the specific funding sources for the division. The Forestry Division contains six programs funded with general fund, state special revenue, and federal funds. General fund, as a part of the funding for the Air Operations Bureau, is transferred to and spent from the bureau's proprietary fund account for fixed costs. Although the legislature no longer appropriates the proprietary funds, it does set the hourly rates charged for use of department aircraft. Revenue from this charge is also deposited in the proprietary account.

Table 16 Natural Resources and Conservation Forestry						
	Actual FY 2000	Percent of Total	Executive Request FY 2002	Percent of Total	Executive Request FY 2003	Percent of Total
General Fund	\$ 5,449,580		\$ 6,218,857		\$ 6,148,390	
Subtotal -- General Fund	\$ 5,449,580	60.93%	\$ 6,218,857	58.72%	\$ 6,148,390	59.06%
Forest Resources Nursery	\$ 272,803		\$ 391,677		\$ 407,500	
State Fire Protection Taxes	2,058,988		2,300,342		2,262,619	
Forestry -- Slash Disposal	139,990		273,929		175,873	
Forest Resources -- Forest Improvement	<u>41,208</u>		<u>48,515</u>		<u>48,637</u>	
Subtotal -- State Special Revenue	\$ 2,512,989	28.10%	\$ 3,014,463	28.46%	\$ 2,894,629	27.81%
Forest Resources -- Fire	\$ 593,931		\$ 845,894		\$ 842,453	
Forest Resources -- PFA	387,984		512,097		524,952	
Subtotal -- Federal	\$ 981,915	10.98%	\$ 1,357,991	12.82%	\$ 1,367,405	13.13%
Total Funding	<u>\$ 8,944,484.00</u>	100.00%	<u>\$ 10,591,311.00</u>	100.00%	<u>\$ 10,410,424.00</u>	100.00%

State special revenue generated from the sale of nursery stock and forest improvement fees is used to fund the nursery program. The Land Board approves the variable forest improvement fee when timber sales are approved based on the state's expected costs of slash disposal, road access and maintenance, and reforestation. Landowner fire protection taxes are paid by private forest landowners for wildfire protection. The department is required by statute to collect up to one-third of the state's fire protection appropriation from private landowners (Section 76-13-207, MCA). The other two-thirds is funded with general fund and federal funds. The department is required to set the tax so that collections equal the amount appropriated by the legislature. Other state special revenues include money from the sale of nursery stock and slash removal assessments on private landowners who cut timber. Fees of \$25 for each slash hazard reduction agreement and \$0.60 per thousand board feet sold, plus forfeited fire hazard reduction bonds, are collected for use by the department.

Federal funds finance a portion of the fire protection, other services, and service forestry programs. General fund reimbursed from federal agencies to the state for the state's wildfire costs are appropriated at \$350,000 federal funds each year. These funds are reimbursements received from federal agencies for general fund the department spent in assisting them in fire suppression and from equipment rental. Since these funds would have been deposited in the general fund, these appropriations reduce the amount of general fund deposits.

Table 17
Natural Resources and Conservation
Trust Lands

	Actual FY 2000	Percent of Total	Executive Request FY 2002	Percent of Total	Executive Request FY 2003	Percent of Total
General Fund	\$ 4,848		\$ 53,138		\$ 48,279	
Subtotal -- General Fund	\$ 4,848	0.07%	\$ 53,138	0.62%	\$ 48,279	0.57%
DSL Recreational Use Account	\$ 46,280		\$ 46,981		\$ 47,170	
Forest Resources -- Timber Sales	1,637,343		2,030,310		2,099,758	
Forest Resources -- Forest Improvement	1,364,708		1,936,484		1,921,351	
State Lands Res Dev	419,261		535,255		536,266	
Trust Fund Revenues	<u>3,572,123</u>		<u>3,805,844</u>		<u>3,801,692</u>	
Subtotal -- State Special Revenue	\$ 7,039,715	99.76%	\$ 8,354,874	96.92%	\$ 8,406,237	99.28%
Forest Resources -- PFA	\$ 12,413		\$ 12,413		\$ 12,413	
Trust Lands Division -- Federal	-		200,000		-	
Subtotal -- Federal	\$ 12,413	0.18%	\$ 212,413	2.46%	\$ 12,413	0.15%
Total Funding	<u>\$ 7,056,976.00</u>	100.00%	<u>\$ 8,620,425.00</u>	100.00%	<u>\$ 8,466,929.00</u>	100.00%

TRUST LANDS MANAGMENT

State special revenue, generated from the sale of timber on state land, is the primary source of funding for the Trust Lands Division. The trust lands division is primarily funded by trust fund revenues (50.6 percent), timber sales (23.2 percent), and forest resources fees (19.3 percent). The remaining 6.5 percent is made up of recreational use and state lands resource development. General fund is used to fund salaries for support staff. Table 17 provides funding detail for trust lands management.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				1,275,629					1,344,241	
Vacancy Savings				(309,958)					(312,017)	
Inflation/Deflation				6,183					6,304	
Fixed Costs				232,736					290,928	
Total Statewide Present Law Adjustments				\$1,204,590					\$1,329,456	
DP 3 - Debt Service - TLMD Database										
0.00	0	101,000	0	101,000	0.00	0	101,000	0	101,000	
DP 4 - Air Operations Adjustment										
0.00	22,275	11,475	0	33,750	0.00	22,275	11,475	0	33,750	
DP 5 - Forest Rehabilitation										
0.00	0	177,500	0	177,500	0.00	0	140,500	0	140,500	
DP 8 - FY2000 Appropriated Base Restoration										
0.00	0	417,860	0	417,860	0.00	0	413,490	0	413,490	
DP 9 - Assessment Re-write										
0.00	79,200	40,800	0	120,000	0.00	0	0	0	0	
DP 13 - Special Use Development										
0.00	0	116,000	0	116,000	0.00	0	116,000	0	116,000	
DP 14 - Increased Nursery Spending Authority										
0.00	0	67,000	0	67,000	0.00	0	82,000	0	82,000	
DP 17 - Radio Replacement										
0.00	53,438	17,812	0	71,250	0.00	52,538	17,512	0	70,050	
DP 18 - Increase In Operating Expenses										
0.00	0	57,690	0	57,690	0.00	0	61,976	0	61,976	
DP 19 - Leased Vehicles - TLMD										
0.00	0	25,149	0	25,149	0.00	0	42,291	0	42,291	
DP 21 - Federal Fire Reimbursement										
0.00	0	0	229,684	229,684	0.00	0	0	229,684	229,684	
DP 24 - Computer Equipment Upgrades										
0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000	
DP 25 - Operating Increase/Fire & Aviation										
0.00	8,108	4,022	12,500	24,630	0.00	8,108	4,022	7,500	19,630	
DP 26 - Replacement Equipment										
0.00	0	15,000	0	15,000	0.00	0	17,000	0	17,000	
DP 27 - Phase II/Slash Programming										
0.00	23,600	0	0	23,600	0.00	0	0	0	0	
DP 29 - Interagency Support										
0.00	0	0	36,324	36,324	0.00	0	0	36,324	36,324	
DP 31 - Operating Adjustments/Other Service										
0.00	26,368	0	0	26,368	0.00	24,768	0	0	24,768	
DP 33 - Operating Increase/Service Forestry										
0.00	2,522	0	5,178	7,700	0.00	2,522	0	5,178	7,700	
DP 34 - Leased Vehicles - Program 35										
0.00	0	0	0	0	0.00	7,068	0	5,960	13,028	
DP 35 - Remote Weather Station										
0.00	8,710	4,290	0	13,000	0.00	0	0	0	0	
DP 61 - Inmate Crew										
(0.66)	(12,740)	(6,369)	0	(19,109)	(0.66)	(12,791)	(6,394)	0	(19,185)	
DP 62 - Fire Suppression Adjustment										
0.00	0	0	0	0	0.00	0	0	0	0	
Total Other Present Law Adjustments										
(0.66)	\$211,481	\$1,074,229	\$283,686	\$1,569,396	(0.66)	\$104,488	\$1,025,872	\$284,646	\$1,415,006	
Grand Total All Present Law Adjustments				\$2,773,986					\$2,744,462	

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 3 - Debt Service - TLMD Database - The executive is requesting \$101,000 in each year of the biennium to pay the annual debt service for an intercap loan through the Board of Investments. Repayment on the loan begins in fiscal 2001,

and so it is not reflected in the base for fiscal 2000. The 1999 legislature appropriated \$101,000 in fiscal 2001 for the annual repayment of an intercap loan for the redesign of the Trust Land Management Database. The department can borrow up to \$600,000 through the loan program administered by the Board of Investments to be repaid \$101,000 per year for seven years. The funding source is from the resource development account (02450) that receives money from a 3.0 percent charge against income generated by state trust lands (except timber sale revenue).

DP 4 - Air Operations Adjustment - The executive is requesting \$33,750 in each year of the biennium for fixed costs of the Air Operations Section of the Fire and Aviation Management Bureau through HB 2. These funds are then transferred from HB 2 into the Air Operations proprietary fund (HB 576), where they are used to fund fixed costs such as rent, salaries, and insurance.

DP 5 - Forest Rehabilitation - The executive is requesting \$177,500 in fiscal 2002 and \$140,500 in fiscal 2003 for forest rehabilitation including erosion control, road maintenance, and tree regeneration in the Sula State Forest. Fires that occurred during the summer of 2000 burned 14,000+ acres of state land in the Bitterroot Valley, including essentially the entirety of the Sula State Forest. This request deals only with rehabilitation activities being planned for the Sula State Forest, including erosion control, maintenance on existing road systems, and tree regeneration in order to re-establish forest in the area. Anticipated costs include \$37,500 each year for erosion control and maintenance and \$140,000 in fiscal 2002 and \$103,000 in fiscal 2003 for tree regeneration. The request would be funded solely with forest improvement fees generated from salvage sales of burned timber.

**LFD
ISSUE**

The legislature may wish to designate this appropriation as one-time-only to reflect its one-time nature.

DP 8 - FY2000 Appropriated Base Restoration - The executive is requesting \$417,860 in fiscal 2002 and \$413,490 in fiscal 2003 to restore forest management funding to that portion of the fiscal 2000 appropriated base for its timber sale program at a level that would sustain a 2:1 revenue/cost ratio required by the legislature. In the fiscal 2000 base year, the Trust Land Management Division reduced forest management administration costs by approximately \$700,000 to comply with legislative intent to keep the revenue/cost ratio for timber sales at or above 2:1. As a result of these reduced costs and a stronger timber market, the benefit cost ratio improved to better than 2:1. However, the department indicates that they cannot predict the exact ratio at this level of funding.

DP 9 - Assessment Re-write - The executive is requesting \$120,000 in the first year of the biennium to update the existing fire protection assessments computer system. The objective is to migrate from the mainframe databases to a completely personal computer database system. This objective was established because of the inability of mainframe databases to perform ad-hoc queries, the primitive interaction with the user, difficulty with training, lack of compatibility with Geographic Information System (GIS) applications, and the need to update the current PC based system. This request is one-time-only with ongoing support for a wholly PC-based system coming from funding currently utilized to support the mainframe system.

**LFD
ISSUE**

Due to its short-term nature, this appropriation should be one-time-only.

DP 13 - Special Use Development - The executive is requesting \$116,000 in each year of the biennium for the special uses program to increase its appropriation of contracting dollars to apply to development and infrastructure on several commercial leasing projects throughout the state. Many of the parcels now projected for development are currently producing minimum revenues (\$1 to \$25/acre). The department contends that development of these parcels into commercial leases would return revenues exceeding \$1,000/acre.

The primary activities that would be pursued if this level of funding were made available are:

1) Statewide Transitional Lands Management Plan

The Special Use Bureau has started work on an environmental impact statement to guide the development of trust lands for commercial, recreational, wildlife habitat, and open space use. During the 2003 biennium, the department would hire private consultants to prepare components of the EIS, such as transportation planning and economic analysis. There would also be costs associated with public participation and EIS production and mailing. Estimated contracted service costs associated with the EIS are \$33,000 in fiscal 2002.

2) Kalispell - Section 36 Development

The school trust owns 500 acres immediately adjacent to the City of Kalispell suitable for commercial development. Current income from agricultural production earns \$15/acre. New commercial uses of the property would earn between \$1-\$2 per square foot. Infrastructure and marketing costs are estimated to be \$50,000 in each year of the biennium.

3) American Timber Mill Site Marketing

Due to the closure of the mill, the department is requesting to market the American Timber Mill site. American Timber currently employs 250 employees and contract workers. DNRC would market this site for a future use. Estimated marketing costs are \$3,000 in fiscal 2002.

4) Missoula - Reserve Street Development

The school trust owns two commercial lots along Reserve Street in Missoula. While current income production is zero, commercial use potential is \$58,000 annually. Estimated marketing costs in fiscal 2002 are \$5,000.

5) Belgrade Commerce Center-Plan for Development

The school trust owns 250 acres adjacent to the new interchange in Belgrade. This property earns \$15 per acre, while new, commercial uses of the property would earn over \$1 per square foot. Neighborhood planning, infrastructure engineering and marketing costs are expected to be \$20,000 in fiscal 2002 and \$50,000 in fiscal 2003.

6) Billings - Neighborhood Plan

The school trust owns several sections adjacent to the City of Billings. DNRC would pursue a neighborhood planning effort to determine suitable uses. Also, DNRC would continue lot sales at the Continental Divide Subdivision and pursue a commercial lease at Columbus for the support of the DPHHS, Foster Care Program.

DP 14 - Increased Nursery Spending Authority - The executive is requesting \$67,000 in fiscal 2002 and \$82,000 in fiscal 2003 as an operating budget increase in anticipation of increased orders for conservation seedlings. Increased demand for this service coupled with a severe fire season would increase the demand for seedlings.

DP 17 - Radio Replacement - The executive is requesting \$71,250 in fiscal 2002 and \$70,050 in fiscal 2003 to replace the two-way radios that are currently utilized within the fire and aviation program. The manufacturer of the majority of the portable radios being utilized by the department has stated that they would no longer provide parts or support to portables that are in excess of 10 years old. This is a one-time-only request to bring DNRC up to date on a 10-year replacement cycle for portables radios.

**LFD
ISSUE**

Due to its one-time nature, this appropriation should be designated as one-time-only.

DP 18 - Increase In Operating Expenses - The executive is requesting \$57,690 in fiscal 2002 and \$61,976 in fiscal 2003 for various increases in operations. The amount requested reflects increased rent, a janitorial contract, weed control, in-state lodging, and catastrophic insurance coverage for the state's share of crops grown on state land. Table 18 details the request.

DP 19 - Leased Vehicles - TLMD - The executive is requesting \$25,149 in fiscal 2002 and \$42,291 in fiscal 2003 for leased vehicles. This request includes five new leased vehicles in fiscal 2002 and two additional new leased vehicles in fiscal 2003.

DP 21 - Federal Fire Reimbursement - The executive is requesting \$229,684 each year of the biennium to maintain authority to expend federal dollars received in support of federal fire suppression activities. These funds are referred to as the federal fire reimbursement and are received from federal agencies and other states for the use of DNRC personnel and equipment. DNRC provides assistance in managing emergency incidents, such as fire suppression activities. Only those funds received as reimbursement of personnel expenses (up to \$100,000) credited against the operational budget of the fire program or those funds received as payment under equipment use agreements (up to \$250,000) are considered federal fire reimbursement funds.

Adjustment	FY 2002	FY 2003
Consultation and professional services	\$ 10,000	\$ 10,000
Janitorial services	1,600	1,800
Bonds non-D of A	6,000	6,000
Gasoline	1,600	1,600
In-state lodging	23,162	23,162
Out of state meals	1,200	1,200
Rent	12,528	16,614
Passenger vehicles	700	700
Telephone equipment	900	900
Total Requested Adjustment	\$ 57,690	\$ 61,976

LFD ISSUE

Since the legislature appropriates general fund through the supplemental process to pay the state's wildfire suppression costs, federal reimbursements are usually deposited to the general fund. However, these reimbursements to the general fund are reduced by the amount of this request. Therefore, the funding source of this request is ultimately general fund and, if approved, would reduce general fund revenue.

Although the money is from the federal government, it is reimbursement for general fund spent on wildfire suppression. Therefore, appropriating these funds as "federal" is misleading and obscures the revenue impact to the general fund. If the legislature wants to provide additional funding for contracted replacement help and equipment repair and replacement, it could do so directly by appropriating general fund rather than federal funds. All reimbursements would then be properly returned to the general fund.

LFD ISSUE

The 1999 legislature approved \$350,000 each year of the 2001 biennium for reimbursement of personnel and equipment costs. If the legislature wants to ensure that the funds would only be used for these purposes, the appropriation should be restricted and language similar to that approved by the 1999 legislature would be placed in HB 2. The recommended language is:

"Item [Fire Reimbursement Funds] are those funds received from non-state entities for the use of department personnel and equipment to assist them in managing emergency incidents, such as fire suppression activities. Only funds up to \$100,000 received as reimbursement of personnel expenses credited against the department's operational budget and up to \$250,000 of funds received as payment under equipment use agreements are considered fire reimbursement funds. All other funds received must be deposited in the general fund. Funds reimbursed for the use of department equipment must be expended for the repair, maintenance, and replacement of equipment that supports the state-county cooperative fire program. The department shall report fire reimbursement expenditures on state accounting records, and the records must be separate from present law operations."

DP 24 - Computer Equipment Upgrades - The executive is requesting \$25,000 in each year of the biennium to replace computer equipment throughout the division. The Trust Land Management Division has approximately 110 computers

and is working under a replacement schedule of 4 - 5 years per computer. The division proposes to replace 20 - 25 computers per year. The existing base has sufficient funding to replace 10 -12 computers annually.

DP 25 - Operating Increase/Fire & Aviation - The executive is requesting \$24,630 in fiscal 2002 and \$19,630 in fiscal 2003 to fund rental increases, weather station maintenance, additional utilities, the move of an existing facility, increased in-state lodging, and implementation of a Volunteers in Fire Prevention Program (VIP). Table 19 details this request:

Table 19		
Department of Natural Resources and Conservation		
Operating Expense Adjustments -- Fire and Aviation		
Adjustment	FY 2002	FY 2003
Consultation and professional services	\$ 12,500	\$ 7,500
Minor tools	500	500
In- state lodging	10,070	10,070
Rent increases	960	960
Utilities	600	600
Total Requested Adjustment	<u>\$ 24,630</u>	<u>\$ 19,630</u>

**LFD
ISSUE**

The portion of this funding request to implement a "Volunteers in Fire Prevention" program should have been presented as a new proposal.

DP 26 - Replacement Equipment - The executive is requesting \$15,000 in fiscal 2002 and \$17,000 in fiscal 2003 to purchase equipment. The Trust Land Management has over 120 FTE. The majority of these FTE requires the use of major equipment, such as vehicles, ATVs, and copy machines. The Glasgow unit of the Northeastern Land Office is requesting an all terrain vehicle costing \$5,000 for fiscal 2002 and a copier with an approximate cost of \$7,000 for fiscal 2003. The remaining \$10,000 for each year of the biennium would be used to purchase two new file servers (one for the Trust Land Management Division database and the second for the Northwest Land Office network).

DP 27 - Phase II/Slash Programming - The executive is requesting \$23,600 in the first year of the biennium to develop a computer program for all field forestry area and unit offices that would interface with the new statewide slash accounting program. The request is for program development only. Installation in the seventeen area and unit offices would be done by department IT staff. This is a one-time only request.

**LFD
COMMENT**

As stated in the description, this is a one-time-only request and the appropriation should be designated as such.

DP 29 - Interagency Support - The executive is requesting \$36,324 in each year of the biennium to spend federal dollars received in support of interagency dispatch and support operations. The department fire management program operates a number of interagency fire dispatch and support centers in cooperation with federal agencies throughout the state. Centers that are primarily managed by the department receive federal funding for support.

DP 31 - Operating Adjustments/Other Service - The executive is requesting \$26,368 in fiscal 2002 and \$24,768 in fiscal 2003 for increased rent, utilities, communication, and janitorial contracted services costs to maintain current operating levels in Forestry programs, statewide. Table 20 details the request.

DP 33 - Operating Increase/Service Forestry - The executive is requesting \$7,700 in each year of the biennium for increases to the operating base for the community forestry program. The decision package includes \$7,700 per year for miscellaneous operating adjustments. The operating budget was under-spent in fiscal 2000 due to upgrades for two employees. The federal grant is expected to increase by \$3,500 per year beginning in fiscal 2002. In addition, in-state lodging costs have increased from \$35 to \$55. Approximately \$4,200 is included to cover this increase. Table 21 details the request.

DP 34 - Leased Vehicles - Program 35 - The executive is requesting \$13,028 in the second year of the biennium to utilize the Montana Department of Transportation leased vehicle program instead of purchasing new vehicles. This request is for two new vehicles in fiscal 2003.

DP 35 - Remote Weather Station - The executive is requesting \$13,000 in the first year of the biennium to acquire a Remote Automatic Weather Station (RAWS) for the Northwest Land Office to replace an existing manual operated station. This is a one-time-only request. This weather station would replace a manual station and would provide the Northwest Land Office fire program with inputs to calculate fire danger outputs that help drive decisions and preparedness for fire response.

Table 20

Department of Natural Resources and Conservation
Operating Expense Adjustments -- Forestry

Adjustment	FY 2002	FY 2003
Janitorial service	\$ 8,500	\$ 8,500
Telephone equipment	1,000	1,000
In- state lodging	2,518	2,518
Rent increases	12,350	10,750
Utilities	<u>2,000</u>	<u>2,000</u>
Total Requested Adjustment	<u>\$ 26,368</u>	<u>\$ 24,768</u>

Table 21

Department of Natural Resources and Conservation
Operating Expense Adjustments -- Service Forestry

Adjustment	FY 2002	FY 2003
Under-spent base due to employee upgrades	\$ 3,500	\$ 3,500
In-state lodging	4,200	4,200
Total Requested Adjustment	<u>\$ 7,700</u>	<u>\$ 7,700</u>

**LFD
COMMENT**

As stated in the description, this is a one-time-only request and the appropriation should be designated as such.

DP 61 - Inmate Crew - The executive is requesting a reduction of \$19,109 in fiscal 2002 and a reduction of \$19,185 in fiscal 2003 to reflect an inability to begin the inmate fire suppression crew program due to concerns from the Department of Corrections. No expenditures are reflected in the base and this adjustment eliminates the .66 FTE.

DP 62 - Fire Suppression Adjustment - The executive is requesting a reduction of \$402,398 in fiscal 2002 and \$402,431 in fiscal 2003 to zero out fire suppression base expenditures deducted from the supplemental.

**LFD
COMMENT**

The dollar amounts for this decision package do not show up in the HB 2 tables because it is listed in the supplemental bill. If approved, a HB 2 decision package would be created to make necessary adjustments.

New Proposals										
Prgm	Fiscal 2002					Fiscal 2003				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 9 - Non-Trust State Land Inventory & Administration										
35	1.00	48,290	0	0	48,290	1.00	43,431	0	0	43,431
DP 14 - Language Approp/HRA Bond										
35	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
DP 15 - Forest Health Monitoring Program										
35	0.00	0	0	78,000	78,000	0.00	0	0	78,000	78,000
DP 16 - Habitat Conservation Plan										
35	0.00	0	0	200,000	200,000	0.00	0	0	0	0
Total	1.00	\$48,290	\$10,000	\$278,000	\$336,290	1.00	\$43,431	\$10,000	\$78,000	\$131,431

New Proposals

DP 9 - Non-Trust State Land Inventory & Administration - The executive is requesting \$48,290 in fiscal 2002 and \$43,431 in fiscal 2003 for 1.0 FTE to perform an inventory and administer non-trust state land throughout the state. No summary inventory of non-state lands currently exists. The department receives from 5 to 15 requests per year from other agencies to conduct this research.

DP 14 - Language Appropriation/HRA Bond - The executive is requesting \$10,000 in each year of the biennium in the form of a language appropriation in HB 2 for authority to spend hazard reduction bond forfeitures up to \$20,000 for the 2003 biennium to reduce slash hazards allowable under 76-13-410, MCA.

The executive requests that the following language appropriation be included in HB 2:

"Item [Hazard Reduction Agreement Bond] The department is appropriated up to \$20,000 for the 2003 biennium from the account established in 76-13-408, MCA for hazard reduction bonds during the 2003 biennium."

LFD ISSUE

If the legislature wants the department to have authority available to reduce slash hazards, it should be budgeted in HB 2 with the spending restricted. When bond money becomes available, the department would then have the authority to spend it. Please see agency-wide issue on language appropriations.

DP 15 - Forest Health Monitoring Program - The executive is requesting \$78,000 in each year of the biennium to continue the forest-health monitoring program to control and prevent pathologic outbreaks in Montana forests. The 1999 legislature approved expenditure of federal funds for the forest health-monitoring program as a one-time-only expenditure to utilize U.S. Forest Service funding to hire a private forest pathology consultant. The pathologist would help DNRC with issues ranging from mapping the extent and evaluating the severity of root disease to responding to private landowner requests for assistance in identifying and managing forest diseases.

A contract and work plan was developed in fiscal 2000 for the pathologist. Projects on state and private lands include:

- 1) Mapping the extent and evaluating the severity of root diseases.
- 2) Locating and evaluating the opportunity of establishing blister rust resistant, white pine plantations in western Montana.
- 3) Evaluating and recommending management alternatives for dwarf mistletoe infestations in Douglas fir, western larch, and lodgepole pine.
- 4) Delineate and prioritize high-risk stands.
- 5) Assist DNRC staff with disease problems on state lands.
- 6) Respond to private landowner requests for assistance in identifying and managing forest diseases.

DP 16 - Habitat Conservation Plan - The executive is requesting a biennial appropriation of \$200,000 in federal funds for development of a habitat conservation plan for Montana. The Endangered Species Act of 1973, as amended, established the Habitat Conservation Plan Program (HCP). The program was developed to address the establishment of conservation plans to minimize and mitigate for the taking of federally listed threatened and endangered species. DNRC has been awarded \$300,000 to fund any appropriated technical and administrative personnel, equipment, and facilities to support the development of a habitat conservation plan. It is anticipated that \$100,000 would be spent each year for the next three years. A budget amendment was submitted for fiscal 2001 authority.

Language Recommendations

The executive is recommending the following language in HB 2:

"The department is appropriated up to \$20,000 for the 2003 biennium from the account established in 76-13-408, MCA, for hazard reduction bonds during the 2003 biennium."

Proprietary Rates

Program Description

The Air Operations Program in the Forestry Division is funded from 1) the air operations proprietary account for those costs that can be supported by the aircraft rates charged to agencies that use the aircraft; and 2) general fund and fire protection taxes for fixed costs. The program operates three medium helicopters, two light helicopters, and three single engine fixed-wing airplanes. Aircraft are primarily used for fire detection, support and suppression of wildfires, and reclamation work in the Department of Environmental Quality. Fixed costs are paid by the general fund and fire protection tax revenue since they must be paid regardless of number of hours flown. These costs include hangar rent, insurance, and personnel costs. The general fund and fire protection taxes are appropriated by the legislature and transferred to and spent from the proprietary account. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include DRNC, other state agencies, federal agencies, and the state's wildfire suppression efforts. This revenue is also deposited to the proprietary account.

LFD ISSUE

The general fund is used for a portion of the fixed costs (72.2 percent in the base year). The legislature may wish to adjust the rates so that fixed costs are also funded by those who use the aircraft.

Rate Explanation

The Aviation Bureau of the Forestry Division at DNRC charges for the usage of its fixed and rotary wing aircraft. Projected expenditures for each year are applied against the number of projected flight hours by each type of aircraft. The aircraft are primarily used for fire detection and suppression. Consequently, aircraft utilization is primarily driven by the severity of each fire season. The goal of the rate methodology is to maintain a fund balance that is less than 60 days, per HB 576 requirements. Rates based on the specific costs and flight usage by type of aircraft are the most fair and equitable for charge-back to the users of the aircraft.

Three rates are determined through this process. The table below illustrates each rate and any future variances in those rates.

Rate Type	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003
Fixed Wing	90	90	95	95
Bell 206A Helicopter	345	345	355	355
UH-1 Huey Helicopter	850	850	875	875

Fund Number Fund Name Agency Number Agency Name Program Name								
06538 AIR OPERATIONS INTERNAL SVC. 5706 DEPT NAT RESOURCE/CONSERVATION								
Fund Balance Information								
	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03
Beginning Retained Earnings	204,702	244,710	365,319	152,812	322,076	147,145	141,885	134,188
Increases								
Fee Revenue	178,412	448,274	211,562	539,149	402,563	512,690	543,690	543,690
Investment Earnings	0	0	0					
Transfers In	337,500	403,136	355,419	343,419	355,419	355,419	389,169	389,169
Miscellaneous, operating	0	0	0		162			
Miscellaneous, other	0	0	0					
Total Increases	515,912	851,410	566,981	882,568	758,144	868,109	932,859	932,859
(Decreases)								
Personal Services	226,534	235,537	287,012	282,443	259,884	258,110	265,020	266,163
Operations	236,458	495,264	468,629	430,861	673,188	606,146	666,423	669,698
Transfers Out	0	0	0					
Miscellaneous, operating	0	0	0					
Miscellaneous, other	0	0	0			9,113	9,113	9,113
Total Decreases	462,992	730,801	755,641	713,304	933,072	873,369	940,556	944,974
Adjustments to Beginning Retained Earnings	(12,912)	0	(23,847)		(2)			
Ending Retained Earnings	244,710	365,319	152,812	322,076	147,145	141,885	134,188	122,073
Total Contributed Capital	0	0	0					
Total Fund Equity	244,710	365,319	152,812	322,076	147,145	141,885	134,188	122,073
Unreserved Fund Balance								
60 Days of Expenses (i.e. total of personnel services, operations, and miscellaneous operating divided by 6)								
	77,165	121,800	125,940	118,884	155,512	145,562	156,759	157,496
<u>Fee/Rate Information for Legislative Action:</u>								
-----Estimated-----								
Requested Rates for Internal Service Funds								
Cessna Aircraft						\$90	\$95	\$95
Bell 206 Helicopter						\$345	\$355	\$355
UH-1 Helicopter						\$850	\$875	\$875